REFORMING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF): STATES' MISUSE OF WELFARE FUNDS LEAVES POOR FAMILIES BEHIND

HEARING

BEFORE THE

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HOUSE OF REPRESENTATIVES

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C O N T E N T S

OPENING STATEMENTS

	Page
Hon. Jason Smith, Missouri, Chairman	1
Hon. Richard Neal, Massachusetts, Ranking Member	3
Advisory of September 24, 2024 announcing the hearing	V

WITNESSES

Sam Adolphsen, Policy Director, Foundation for Government Accountability	4
Brett Favre, Sumrall, Mississippi	20
Matt Underhile, Shift Supervisor, Stoddard County Sheriffs Office, Bloomfield, Missouri	25
Jarvis Dortch, Executive Director, American Civil Liberties Union (ACLU) of Mississippi	29

PUBLIC SUBMISSIONS FOR THE RECORD

Public Submissions	295

United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

FOR IMMEDIATE RELEASE CONTACT: 202-225-3625
September 17, 2024
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Chairman Smith Announces Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind

House Committee on Ways and Means Chairman Jason Smith (MO-08) announced today that the Committee will hold a hearing on the need to reform TANF to target families in need, connect people to work, and improve accountability. The hearing will take place on **Tuesday, September 24, 2024, at 10:15 AM in 1100 Longworth House Office Building.**

In view of the limited time available to hear the witnesses, oral testimony at this hearing will be from the invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMSubmission@mail.house.gov.

Please ATTACH your submission as a Microsoft Word document in compliance with the formatting requirements listed below, **by the close of business on Tuesday, October 8, 2024**. For questions, or if you encounter technical problems, please call (202) 225-3625.

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All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Please indicate the title of the hearing as the subject line in your submission. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

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REFORMING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF): STATES' MISUSE OF WELFARE FUNDS LEAVES POOR FAMILIES BEHIND

TUESDAY, SEPTEMBER 24, 2024

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The committee met, pursuant to call, at 10:18 a.m., in Room 1100, Longworth House Office Building, Hon. Jason Smith [chairman of the committee] presiding.

Chairman SMITH. The committee will come to order.

Under the House Republican majority, this committee has been laser-focused on helping Americans in need and in particular doing so by helping them build stable, prosperous lives through work. That is the very core of our work to improve our welfare programs, including TANF.

We took an important first step to reform TANF direct cash assistance in the Fiscal Responsibility Act. For the first time in two decades, Congress acted to close loopholes States were using and strengthen work requirements.

Unfortunately, TANF nonassistance, which makes up 77 percent of the spending in the program, has been undermined by rampant waste, fraud, and abuse, meaning fewer dollars are going to services for those who really need them.

For example, in the state of Mississippi, $77 million in misused TANF funds led to multiple criminal convictions for embezzlement by state officials and nonprofit contractors. But we all know this problem is not limited to Mississippi.

In Michigan, millions of dollars in TANF funds were spent on college aid for families making up to a quarter of a million dollars to attend primarily private colleges.

In California, the state used federal TANF funds to plug holes in their state budget.

We could go around the country and identify examples of other states using TANF funds for reasons other than its four core purposes.

One of the things that has enabled the misuse of funds is a lack of guardrails that connect taxpayer dollars to people who are actually in need. Unlike other federal programs, there are virtually no rules governing how states spend TANF nonassistance funds. There is no eligibility limit to target TANF to families in need. There is no requirement to ensure TANF nonassistance is being used to support work, training, and education activities. In fact, only 8.1 percent was spent on these activities in 2022.

TANF has no spending deadlines, so States are sitting on billions in unspent reserves reaching $6.4 billion in 2022. How big a problem is it? What is the rate of improper payments? No one knows because the U.S. Department of Health and Human Services has never reported a rate of improper payment.

Together, this lack of federal protections has created the perfect storm for waste, fraud, and abuse. The victims aren't just taxpayers, but also the Americans in dire straits who need help. That is why one of our priorities must be restoring integrity and accountability to TANF.

Republicans and Democrats on this committee have both expressed concerns about the ongoing fraud and questionable use of funds in this program, and they have introduced legislation. Some of the Democrat policies are not that far from Republican policies, and the Biden-Harris Administration has proposed Republican ideas like reporting improper payments and targeting TANF to families earning less than 200 percent of the federal poverty line.

I believe there is room for bipartisanship, but my priority as chairman is to make sure in our push for reform, we don't turn welfare into a mechanism that traps people in poverty or to lose the ability to tailor programs to the unique needs of local communities and families. Those are important principles of TANF that made it successful in 1996 and should be a foundation that we build on.

I want to thank our witnesses for taking the time to be here and sharing their insights.

In particular, we are honored to be joined by someone from my congressional district, Mr. Matt Underhile in Stoddard County. He is a living example of what can happen when welfare programs help people find full-time employment that supports a family, and the spillover effects it has for building strong communities right there in Stoddard County.

I want to thank you for traveling to Washington from God's country, as we say back home, and I look forward to you sharing your story with us today.

We are also joined by someone whose experience I think can help shed additional light on the need to pursue reforms to States' ability to spend TANF, Mr. Brett Favre. We look forward to hearing his insights into how weak federal oversight and self-dealing state officials contributed to Mississippi's case. He saw how embezzlement and mismanagement hurt the people whom welfare is supposed to help. We want to thank you for coming here and using your name and platform to draw attention to the need for stronger federal safeguards in TANF spending to ensure what happened in Mississippi doesn't happen again in other places.

I am grateful to each and every one of you for coming to share your perspective on how Congress can reform TANF. We must reclaim these critical welfare dollars and restore the integrity of this important program to focus on removing barriers to work and building the capacity of individuals to realize their full potential and thrive.

I am pleased to recognize the ranking member, Mr. Neal, for his opening statement.

Mr. NEAL. Thank you, Chairman.

And I want to thank our witnesses for being here with us this morning.

When they are able to receive it, TANF can play an important role in making ends meet each month for families with children across the country. Bridging the gap on affording basic necessities while helping parents and other caregivers find meaningful work and build a better live is a shared goal. Unfortunately, less than one in four poor families get assistance from TANF nationally, and many states offer even smaller benefits.

We are reminded that TANF is supposed to be a trampoline. People hit it at a difficult time in their lives, never anticipating perhaps that they would need it, and then they bounce back up.

I would note, also, many of the economic policies that the Democrats on this committee embraced have worked splendidly, including a very arcane part of our economy called labor participation rates, which have gone up. It means that people who can work want to work and will work, and that is part of what I hope we will hear in testimony this morning as well.

This Congress is ending as it began, the will of the wealthy and the well-connected stands out over our most vulnerable American families. The only TANF legislation we considered in committee was H.R. 6918 which allowed states to divert funds intended for needy families to fund antiabortion centers. We are just days away from not only a government shutdown, but also the expiration of the TANF program, and the committee is lending our platform to a subject that is often involved in the most dramatic misuse of TANF funds.

Let me also say something based on long institutional memory when we talk about the shortcomings of what happened in this Congress. Again, last evening, the Speaker of the House cannot get a rule through a committee that the leadership picked. It is an astounding turn of events. So our CR will be put on the suspension calendar.

So today there is going to be a lot of outrage over a program that has been repeatedly exploited with no accountability for how it got that way. The Republican authors of the original TANF bill sought deliberately preventing federal oversight of TANF, and it came as the request from House Members and Governors.

In Mississippi, 396,000 families and about 632,000 children accessed our expanded child credit in 2021, whereas, at the same time, only 2,000 families accessed TANF. It is stunning. The child credit worked, and I know there is sympathy and understanding on this committee for expanding the child credit. It is still a failure to come to the aid of the poorest among us when it expired.

Democrats stand ready to work with Republicans to provide oversight authority and return the misspent funds for poor families that need financial help. In fact, Ranking Member Davis, a lifelong champion of our nation's most vulnerable workers and families, and another champion, Congresswoman Chu, are leading legislation to replace a Republican provision in the original law that allowed malfeasance in Mississippi to happen with penalties and requiring States to recover misspent funds and direct them to their intended audience for children.

Another champion on the committee is Congresswoman Moore, who through her lived experience knows better than anyone about holding those in power accountable as we try to help struggling families.

We have a clear, proven pathway to help struggling families restore the expanded child credit, guaranteed childcare, unlock access to paid family and medical leave. Those would be three good starts.

Today, we are being asked to choose a false dichotomy. I hope that we will understand that the policies that we will hear about today were badly unbalanced.

And with that, I yield back the balance of my time.

Chairman SMITH. Thank you, Ranking Member Neal.

I will now introduce our witnesses.

We have Sam Adolphsen, who is the policy director for the Foundation for Government Accounting. We have Brett Favre, who is a former pro football player from Sumrall, Mississippi. We have Matt Underhile, who is a shift supervisor at Stoddard County Sheriff's Office in Bloomfield, Missouri. And we have Charles Dortch, executive director of the American Civil Liberties Union of Mississippi.

I want to thank you all for being here today. Your written statements will be made part of the record. And you each have 5 minutes to deliver remarks.

We will start with Mr. Adolphsen. You may begin when you are ready.

STATEMENT OF SAM ADOLPHSEN, POLICY DIRECTOR, FOUNDATION FOR GOVERNMENT ACCOUNTABILITY

Mr. ADOLPHSEN. Chairman Smith, Ranking Member Neal, and members of the committee, my name is Sam Adolphsen. I am the policy director at the Foundation for Government Accountability. Before I joined FGA, I oversaw TANF as the chief operating officer of the Maine Department of Health and Human Services.

Cash welfare was once broken in this country, so broken, it led to something pretty extraordinary, successful bipartisan reform. And when President Bill Clinton said it was time to end welfare as we knew it, this body acted and made it happen, at least in this program. And this committee knows the story of that success well, increased incomes, decreased poverty, and less spending. And it clearly understands how important it is to protect that success by acknowledging the remaining problem areas in the program.

The program has drifted from the core mission of getting people back to work, and it is clear that stronger guardrails are needed to reverse this trend. Fraud and waste is a problem in the program. Issues like EBT card skimming and selling, and theft of TANF funds by administrators in several States continue to plague the program.

It is hard to gauge the exact scope of fraud because as the GAO pointed out this summer, Health & Human Services doesn't measure it. And the few special OIG reports that we do have show rates of improper payments up to 46 percent. Misallocation is an issue, too. The combination of flexibility, carryover funds, and commingling with other funding often leads to, at best, questionable spending.

For example, more than 40 States spend TANF on programs with eligibility levels twice the Federal poverty line. In Maine, I saw this firsthand when we ultimately reversed some TANF transactions after struggling to get clear answers from the Obama administration on how funds could be used for certain services.

And there is blatant misuse as well. Some States are spending billions of TANF dollars as a slush fund to pay for college tuition programs, universal basic income projects, or tax credits in lieu of using State general funds. At least one State isn't shy about publicly calling this a fund swap.

These issues need attention, but it isn't just about fraud, or misspending, or misallocation. It is also about missed opportunities, missed opportunities to use TANF in the best way possible for work, to fulfill the core program objectives, to help millions more people achieve the American dream. When only one out of every $10 is spent on that mission today, we know there is a missed opportunity. When so many States are falling short of meeting worker participation rates, we know States aren't doing their best. And when the program spends more on administration than it does on key objectives, we know we can do better.

Discussions about caseload size too often center entirely around those receiving a cash benefit, but there are tens of millions of able-bodied adults in welfare programs across the country who could benefit from case management, family support, and job training, the precise type of programs TANF is meant to fund.

It makes sense, then, to rebalance spending back towards work with additional guardrails like ensuring a baseline amount is spent on work activities and supports. And the program does need more oversight. A good start would be to reserve funds for those below certain income levels, measure improper payments within the program, just like other welfare programs do, and increase required State accountability for performance and spending.

With some reform and a renewed focus, we can make sure that TANF is the premier welfare-to-work-program that it was always meant to be.

Thank you.

[The statement of Mr. Adolphsen follows:]

REFORMING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES: MISUSE OF WELFARE FUNDS LEAVES POOR FAMILIES BEHIND

U.S. House of Representatives
Committee on Ways and Means

September 24, 2024

Sam Adolphsen, Policy Director

Chairman Smith, Ranking Member Neal, and members of the committee, thank you for hosting this important hearing. I am Sam Adolphsen, the Policy Director at the Foundation for Government Accountability (FGA). FGA has worked for many years on moving able-bodied adults from welfare to work, reducing fraud, and preserving resources for the truly needy.

Prior to joining FGA, I served as the Chief Operating Officer of the Maine Department of Health and Human Services (Maine HHS). In that role, I oversaw operations for Maine's welfare programs, including Temporary Aid to Needy Families (TANF), with direct oversight of the state's welfare fraud department.

TANF is a bipartisan success story, moving millions of able-bodied adults from welfare to work and giving them the hope of better lives. But more work can be done to crack down on loopholes that allow states to expand welfare beyond TANF's purpose and use TANF funds as a slush fund to cover unrelated state expenses. More work can also be done to rebalance program spending on work-related activities and combat fraud.

TANF is a bipartisan success story

In 1996, Congress passed a bipartisan overhaul of the nation's largest cash welfare program, replacing the Aid to Families with Dependent Children (AFDC) entitlement program with a new Temporary Aid to Needy Families block grant.[1] It passed the House 328-101 and passed 78-21 in the Senate.[2-3] Virtually all Republicans and most Democrats—including the current president—voted for the law.[4] Shortly thereafter, it was signed by President Clinton.[5]

Building on reforms first tested in the states, America's cash welfare programs were refocused on new goals: encouraging work, keeping families together, and reducing dependency. To achieve these ends, Congress capped the amount of time able-bodied adults could receive cash welfare and implemented commonsense work requirements.[6]

The reforms have worked. In 1995, nearly 13.7 million people were dependent on AFDC cash welfare.[7] By 2000, enrollment had been cut in half.[8] Today, enrollment stands at 2.8 million, a drop of nearly 80 percent.[9] Just 830,000 of these enrollees are able-bodied adults—half of whom live in California.[10] Better still, single mothers leaving welfare after the 1996 reforms entered the labor force in record numbers, boosting economic growth and leading to declines in child poverty.[11-12]

We have also seen this success at the state level. States adopting stronger work requirements and time limits have led to more employment, higher incomes, and less dependency.[13] Able-bodied adults who left dependency found work in more than 600 different industries, touching every corner of the economy.[14] Those families saw their incomes more than double within a year of leaving welfare, with higher wages more than offsetting the welfare checks they used to receive.[15] Moving able-bodied adults from welfare to work also helped boost the local economy and preserve limited taxpayer resources for the truly needy.[16] I witnessed similar results firsthand in Maine, as restarting time limits led to large reductions in caseloads and increased wages.[17-18]

The 1996 welfare reform law's focus on work is desperately needed in other welfare programs today, where most able-bodied adults receiving taxpayer-funded benefits do not work at all.[19-20]

More work can be done to crack down on loopholes

Highlighting TANF's success does not mean there are no problem areas. In many states, the program has drifted from its core mission. More accountability and stronger guardrails can help refocus the program on moving individuals from welfare to work and strengthening families.

One of the areas that makes TANF accountability challenging is the co-mingling that is allowed with other federal block grants with varying rules on usage. I witnessed this firsthand at Maine HHS.

By 2015, Maine had accumulated $92 million in unused TANF funds.[21] Federal law authorizes states to transfer a portion of the TANF block grant to the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG), which operate under different rules.[22] Washington, D.C. and 40 states transfer more than $2.1 billion annually from TANF to one of these other two funds.[23]

Maine HHS operated several programs with SSBG funds, including home-based services for seniors and individuals with disabilities, child welfare services, Meals on Wheels, transportation services, domestic violence resource centers, and sexual assault support centers. The first line of federal TANF law states that the grant can be used "in any manner that is reasonably calculated to accomplish the purpose of this part."[24] Additional federal guidance that "transferred funds are subject to the rules of the program to which they are transferred" led the state to believe it could use funding from TANF for certain services being furnished through SSBG to accomplish the mission of assisting low-income needy families.[25]

Over a period of a few years, Maine HHS sought guidance from ACF on this issue, with often unclear communications from the officials. After concerns raised by Maine auditors about some expenditures within the transferred TANF funds, and finally with formal communication from federal officials, Maine reversed some of the expenditures from the transfers and allotted the TANF funding elsewhere. More work can be done in federal law to provide states with more clarity on the flexibility of these transfers in advance of such expenditures. Fortunately, this experience also shaped a refocused effort on using the TANF funds to support work.

Regulatory loopholes have made TANF accountability challenging.

Federal law requires states to ensure that half of work-eligible TANF cases have enrollees who are working, looking for work, or participating in job training programs.[26] In 2022, just seven states met this threshold.[27] Among the 545,000 "work eligible" cases, just 194,000 were engaged in sufficient work activities—far below the 50 percent threshold.[28] Indeed, more than 54 percent of "work-eligible" able-bodied adults reported zero hours of work activities nationwide.[29]

States have gamed these requirements in numerous ways, including caseload reduction credits, "excess" maintenance of effort spending, and worker supplement programs.[30-33] This Committee has proposed several reforms to address these issues in recent years, including strong reforms in the House-passed Limit, Save, Grow Act last year and reforms later adopted in the Fiscal Responsibility Act, which are set to take effect in fiscal year 2026.[34-37]

Even if states do not meet the weakened work participation rate requirements, there is little risk of serious penalty. Although federal law allows HHS to reduce states' block grants for failure to meet these standards, penalties can be reduced or waived based on the "degree of noncompliance," when HHS finds "reasonable cause" for the failure, or if states enter "corrective compliance plans."[38-39] California, for example, has failed one or both of the work participation rate requirements every single year for the last 15 years.[40] Although federal officials assessed nearly $1.9 billion in penalties for these failures, they later reduced those penalties to just $64 million.[41]

Regulatory loopholes have encouraged states to expand welfare

Federal regulations have also allowed states to greatly expand the definition of "needy" families to expand eligibility. HHS officials identified at least 40 states operating programs with TANF funding with eligibility levels more than twice the poverty line.[42] In some states, individuals earning as much as five times the federal poverty line—roughly $156,000 for a family of four—can qualify for these programs.[43]

Worse yet, states have used TANF as a way to expand other taxpayer-funded welfare programs.[44-47] This is particularly egregious when the primary purpose of TANF is to "end the dependence of needy parents on government benefits."[48] Congress should eliminate this loophole by limiting what types of TANF-funded "benefits" can confer categorical eligibility to other welfare programs.

Little TANF funding goes to work support or job training activities

In 2022, taxpayers spent more than $31 billion on TANF and related maintenance of effort programs.[49] Just $2.5 billion of that spending went to job training, education, or other work-related activities, while another $385 million went to work supports.[50] TANF and MOE line items for pre-K and Head Start, refundable tax credits, and general program management each exceed total spending on job training, education, and other work-related activities.[51] To make matters worse, even the limited money spent on work-related activities often goes toward ineffective programs like funding four-year college degrees instead of practical efforts like vocational training.

One of TANF's core purposes is to end government dependency by "promoting job preparation, work, and marriage."[52] When less than 10 percent of funding goes to work-related activities or work supports, it is clear that Congress should step in to rebalance spending on core work-focused activities in the states. Congress could also guard against mission drift by ensuring TANF's work requirements transfer along with its funding to various other programs.

Discussions about caseload size too often center entirely around those receiving cash benefits, but there are tens of millions of able-bodied adults across the major welfare programs who could benefit from case management, family supports, and job training—the precise type of programs TANF is meant to fund.

TANF is not targeted and would benefit from additional oversight

States too often use TANF as a slush fund, unconnected to the goal of moving families from welfare to work. California, for example, annually redirects TANF funding to a tuition grant program for nearly 650,000 college students.[53-54] California has diverted more than $1 billion per year from federal TANF funds to these grants.[55] But eligibility for these TANF-funded grants has no real connection to furthering core TANF objectives.[56] Indeed, analysts for California's Joint Legislative Budget Committee internally refer to this scheme as a "fund swap" and "fund shift," whereby the state uses TANF funds to replace General Fund expenses.[57] Those analysts have repeatedly said that the redirected TANF funds offset "an equal amount of General Fund support" and that these fund swaps have "no programmatic impact."[58-59] To make matters worse, the state then uses these tuition grants to expand food stamp eligibility to college students who would not otherwise qualify.[60]

Other states have engaged in similar patterns. Michigan, for example, spends $100 million of TANF funding on student aid for college students, including millions for families earning more than $100,000 per year.[61] In 2023, HHS identified at least eight states that were spending TANF funds on college scholarship programs for adults without children.[62] These are just a few examples of states using TANF funding to replace General Fund expenses, though there are many more.[63]

Worse yet, HHS collects no information at all to monitor improper payments in TANF, unlike other major welfare programs.[64] However, the few audits conducted by the Office of Inspector General (OIG) have illustrated widespread abuse. In Michigan, for example, 40 percent of TANF cash welfare spending was flagged as improper.[65] In New York, auditors found an improper payment rate of 46 percent for TANF cash welfare payments.[66] Additionally, more than 21 percent of TANF cash welfare spending in Ohio and nearly 10 percent of TANF cash welfare payments in Minnesota were identified as improper.[67-68]

Individual cases of TANF fraud and abuse abound at the Department of Justice, everything from enrollees lying about their income to receive benefits to government employees trading $1.4 million in TANF funds for cash and sex.[69-70] Federal prosecutors have even gone after TANF directors for enrolling ineligible individuals as part of a kickback scheme and states for using TANF funds on ineligible aliens.[71-72]

HHS also collects no meaningful data on Electronic Benefit Transfer (EBT) card trafficking, despite its growing connection to the drug trade.[73-84] EBT transaction data is critically important in identifying fraud, including whether enrollees have moved out of state and are no longer eligible.[85-87]

Without collecting data on these issues, however, the publicly released information on raids, arrests, and prosecutions represents just the tip of the iceberg on potential waste, fraud, and abuse. Congress should require HHS to actually measure improper payments and monitor EBT trafficking and out-of-state use that indicates a change in circumstances affecting eligibility.

Congress provided flexibility to states to craft more tailored programs that could successfully move able-bodied adults from welfare to work. This flexibility is an essential component of TANF and the block grant structure. But that flexibility must be balanced with accountability for states and enrollees alike to ensure limited resources are preserved for the truly needy.

Conclusion

As we approach the bipartisan welfare reform's 30-year anniversary, we should recognize the law's success at moving millions of able-bodied adults from welfare to work and giving them the hope of better lives. But more work must be done to crack down on loopholes that allow states to expand welfare beyond TANF's core purposes or use TANF funds as a slush fund to finance unrelated programs.

Members of this committee have proposed several reforms to do just that. Congressman Smith has introduced legislation to put limits on states using TANF funding for programs with eligibility levels more than twice the poverty line.[88] Congresswoman Tenney has introduced legislation to stop states from using TANF funds as a slush fund to replace state and local spending, as California and other states have so brazenly done.[89]

Congress must also rebalance program spending on the program's core objective: ending needy families' dependency on government programs through work. Again, members have introduced several reforms to achieve that goal. Congressman Moore has introduced legislation requiring at least 25 percent of TANF funding go to work supports, educational resources, work activities, case management, and case management to assist individuals developing individual responsibility plans.[90] Congressmen Smucker and Wenstrup have introduced legislation to allow states to transfer TANF funds to workforce investment activities under the Workforce Innovation and Opportunity Act (WIOA).[91] And Congresswoman Steel has introduced legislation to reduce bureaucracy and cap administrative costs.[92]

Finally, Congress should take steps to combat fraud within the program to preserve these limited resources for the truly needy. Congressman Arrington has introduced legislation to ensure TANF programs must follow the same rules for monitoring, preventing, and addressing improper payments as other federal welfare programs, a critical first step.[93]

But the bipartisan 1996 reforms were not just a success at moving able-bodied adults from welfare to work. The reforms also successfully transformed a growing welfare entitlement into a stable, work-first block grant. This is an important lesson for other welfare programs, which have experienced massive increases in costs to taxpayers. Federal food stamp spending, for example, has increased nearly fivefold since 1996.[94] Federal Medicaid spending has increased nearly sevenfold.[95] As Congress eyes other opportunities to replicate TANF's successes on work and flexible-but-fixed funding in other programs, it is more important than ever to ensure states are using these funds appropriately to achieve TANF's core purpose of ending dependency through job preparation and work.

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7. Administration for Children and Families, "AFDC caseload data: Total caseload – 1995," U.S. Department of Health and Human Services (2004), https://www.acf.hhs.gov/ofa/data/caseload-data-1995-afdc-total.
8. Administration for Children and Families, "TANF caseload data: Combined TANF and SSP-MOE – 2000," U.S. Department of Health and Human Services (2004), https://www.acf.hhs.gov/sites/default/files/documents/ofa/2000_15months_tanssp.pdf.
9. Administration for Children and Families, "TANF caseload data: Combined TANF and SSP-MOE – 2023," U.S. Department of Health and Human Services (2024), https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2023_tanssp_caseload.pdf.
10. Ibid.
11. Labor force participation and employment among unmarried mothers increased by 15 to 20 percent and the number of children in single-mother households who lived in poverty declined by 20 to 25 percent between 1995 and 2000. See, e.g., Census Bureau, "Current Population Survey: Annual social and economic supplement," U.S. Department of Commerce (2024), https://data.census.gov/mdat.
12. Moving welfare enrollees into the labor force boosted economic growth in the late 1990s. See, e.g., Kenneth Hanson and Karen S. Hamrick, "Moving public assistance recipients into the labor force: 1996-2000," U.S. Department of Agriculture (2004), https://www.ers.usda.gov/webdocs/publications/46832/49356_fanrr40.pdf.
13. Nic Horton and Jonathan Ingram, "Work requirements are working for Kansas families: How welfare reform increases incomes and improves lives," Foundation for Government Accountability (2017), https://thefga.org/research/kansas-work-requirements.
14. Ibid.
15. Ibid.
16. Ibid.
17. Jared Meyer, "Maine shows how to make welfare work," Forbes (2017), https://www.forbes.com/sites/jaredmeyer/2017/06/01/maine-shows-how-to-make-welfare-work.
18. Office of Policy and Management, "Wage and employment outcomes of TANF participants closed for time limits," Maine Office of Policy and Management (2017), https://web.archive.org/web/20180222172249/https://www.maine.gov/economist/docs/TANF%20Report%20Final%205-25-17.pdf.
19. According to data provided by state Medicaid agencies, roughly 60 percent of able-bodied adults on Medicaid report no earnings. See, e.g., Jonathan Bain, "The X factor: How the labor force continues to be

decimated by skyrocketing Medicaid enrollment," Foundation for Government Accountability (2024), https://thefga.org/research/the-x-factor-labor-force-decimated-skyrocketing-medicaid-enrollment.

20. According to data from the U.S. Department of Agriculture, roughly 64 percent of able-bodied adults on food stamps do not work at all. See, e.g., Jonathan Bain, "Work requirements work: How expanding food stamp work requirements can continue to break the cycle of dependency," Foundation for Government Accountability (2024), https://thefga.org/research/work-requirements-work-break-cycle-dependency.

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22. 42 U.S.C. § 604(d) (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec604.pdf.

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24. 42 U.S.C. § 604(a) (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec604.pdf.

25. Administration for Children and Families, "TANF final rule executive summary," U.S. Department of Health and Human Services (1999), https://www.acf.hhs.gov/ofa/law-regulation/tanf-final-rule-executive-summary.

26. 42 U.S.C. § 607 (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec607.pdf.

27. Administration for Children and Families, "Temporary Assistance for Needy Families (TANF) and Separate State Programs - Maintenance of Effort (SSP-MOE) work participation rates and engagement in work activities: Fiscal year 2022," U.S. Department of Health and Human Services (2023), https://www.acf.hhs.gov/sites/default/files/documents/ofa/wpr_FY2022_final-web.pdf.

28. Ibid.

29. Ibid.

30. States can lower the 50 percent requirement through caseload reduction. See, e.g., 42 U.S.C. § 607(b)(3) (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec607.pdf.

31. States can also lower the 50 percent requirement through increased maintenance of effort spending. See, e.g., 45 C.F.R. § 261.43 (2023), https://www.govinfo.gov/content/pkg/CFR-2023-title45-vol3/pdf/CFR-2023-title45-vol3-sec261-43.pdf.

32. In 2022, these adjustments lowered states' minimum work participation rate to zero in 34 states, while just six states were subject to the 50 percent threshold. See, e.g., Administration for Children and Families, "Temporary Assistance for Needy Families (TANF) and Separate State Programs - Maintenance of Effort (SSP-MOE) work participation rates and engagement in work activities: Fiscal year 2022," U.S. Department of Health and Human Services (2023), https://www.acf.hhs.gov/sites/default/files/documents/ofa/wpr_FY2022_final-web.pdf.

33. States have also used "worker supplement" schemes to further game work participation rates. Under this scheme, states go out and search for already-employed individuals not enrolled in TANF, but who are often enrolled in other welfare programs like food stamps or Medicaid. Once identified, states enroll those individuals into a separate program that pays a nominal monthly benefit. These individuals—all of whom are known to be employed at the time of enrollment—are then counted as

working TANF enrollees for purposes of the work participation rate. These enrollees are also typically exempt from other TANF rules. About half of states currently operate these programs, and these monthly benefits are as low as a single dollar in some states.

34. The Limit, Save, Grow Act included provisions to recalibrate caseload reduction credits to the decline in caseloads since fiscal year 2022 instead of fiscal year 2005, eliminate the excess spending credit, and crack down on worker supplement schemes. See, e.g., H.R. 2811 (2023), https://www.congress.gov/118/bills/hr2811/BILLS-118hr2811eh.pdf.
35. The Fiscal Responsibility Act included provisions to recalibrate caseload reduction credits to the decline in caseloads since fiscal year 2015 instead of fiscal year 2005, and set a $35 minimum threshold for worker supplement schemes. These provisions will take effect in fiscal year 2026. No changes were made to the excess spending credit. See, e.g., Public Law 118-5 (2023), https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf.
36. Even under the recalibration, the adjustments will still lower minimum work participation rates to zero in approximately 19 states and only increase the average minimum work participation rate by 2 percentage points. Further recalibration will be needed to fully address this issue.
37. It is likely that the $35 minimum threshold will do little to ultimately close the worker supplement scheme. When Congress established a similar minimum threshold to crack down on the standard utility allowance loophole in the food stamp program, 13 of the 17 states abusing the loophole simply increased payments to meet the new threshold. Further adjustments will be needed to fully address this issue. See, e.g., Food and Nutrition Service, "Regulatory impact analysis: Standard utility allowances based on the receipt of energy assistance payments under the Agricultural Act of 2014," U.S. Department of Agriculture (2016), https://downloads.regulations.gov/FNS-2016-0044-0002/content.pdf.
38. 42 U.S.C. § 609 (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec609.pdf.
39. 45 C.F.R. § 262 (2023), https://www.govinfo.gov/content/pkg/CFR-2023-title45-vol3/pdf/CFR-2023-title45-vol3-part262.pdf.
40. Legislative Analyst's Office, "Overview of the Federal Fiscal Responsibility Act's impacts on CalWORKs," California Joint Legislative Budget Committee (2024), https://lao.ca.gov/Publications/Report/4877.
41. Ibid.
42. Administration for Children and Families, "Strengthening Temporary Assistance for Needy Families (TANF) as a safety net and work program," U.S. Department of Health and Human Services (2023), https://www.federalregister.gov/documents/2023/10/02/2023-21169/strengthening-temporary-assistance-for-needy-families-tanf-as-a-safety-net-and-work-program.
43. Ibid.
44. The food stamp program grants categorical eligibility to TANF enrollees, exempting them from the program's income and asset limits. See, e.g., Jonathan Ingram and Nic Horton, "Closing the door to food stamp fraud: How ending broad-based categorical eligibility can protect the truly needy," Foundation for Government Accountability (2018), https://thefga.org/research/closing-the-door-to-food-stamp-fraud-how-ending-broad-based-categorical-eligibility-can-protect-the-truly-needy.
45. Categorical eligibility was initially designed to avoid duplication for individuals applying for food stamps who were already subject to stricter income and asset limits in TANF. However, states have exploited this loophole by using a small amount of TANF funding to print brochures, host a website, or operate a toll-free phone number that describes other welfare programs. States then deem anyone who receives that information as someone receiving a TANF "benefit," making them categorically eligible for food

stamps and bypassing federal eligibility standards. States do no eligibility verification for these fake "benefits." The brochures often reference services and programs that have no financial eligibility requirements, do not meet any of the required TANF purposes, and grant categorical eligibility even when no one in the household is eligible for any of the services listed. Auditors at the U.S. Department of Agriculture (USDA) even warned that states were granting categorical eligibility for these "benefits" based on brochures that applicants did not even receive. See, e.g., Office of Inspector General, "FNS quality control process for SNAP error rate," U.S. Department of Health and Human Services (2015), https://usdaoig.oversight.gov/sites/default/files/reports/2023-12/27601-0002-41.pdf.

46. This loophole alone adds more than 5.4 million ineligible enrollees to the food stamp program each year, which will cost taxpayers more than $111 billion over the next decade. See, e.g., Paige Terryberry, "How Congress can protect the truly needy and restore program integrity to food stamps by ending broad-based categorical eligibility," Foundation for Government Accountability (2023), https://thefga.org/research/how-congress-can-protect-needy-by-ending-bbce.

47. In most states exploiting the loophole, individuals can have unlimited countable assets—such as cash or money deposited in bank accounts that is readily available—and still enroll in the program. Most enrollees with assets above the federal asset limit have more than $20,000 in countable resources, while more than 20 percent have $100,000 or more. In some cases, even millionaires have enrolled in the program. See, e.g., Jonathan Ingram and Nic Horton, "Closing the door to food stamp fraud: How ending broad-based categorical eligibility can protect the truly needy," Foundation for Government Accountability (2018), https://thefga.org/research/closing-the-door-to-food-stamp-fraud-how-ending-broad-based-categorical-eligibility-can-protect-the-truly-needy.

48. 42 U.S.C. § 601 (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec601.pdf.

49. Administration for Children and Families, "Fiscal year 2022 federal TANF and state MOE financial data," U.S. Department of Health and Human Services (2023), https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2022_tanf_and_moe_financial_data_table-final.pdf.

50. Ibid.

51. Ibid.

52. 42 U.S.C. § 601 (2022), https://www.govinfo.gov/content/pkg/USCODE-2022-title42/pdf/USCODE-2022-title42-chap7-subchapIV-partA-sec601.pdf.

53. In the 2023-2024 award year, California awarded Cal Grant A to 204,000 college students and Cal Grant B to 439,000 college students. TANF funding is not used for Cal Grant C programs. See, e.g., California Student Aid Commission, "2023-24 Cal Grant offered awardees," California Student Aid Commission (2024), https://www.csac.ca.gov/sites/default/files/file-attachments/2023-24_cal_grant_program_offered_awardees.pdf.

54. In fiscal year 2019, federal TANF funds covered most Cal Grant program spending, though that had declined to approximately 40 percent by fiscal year 2021. See, e.g., Legislative Analyst's Office, "The 2020-21 budget: California Student Aid Commission," California Joint Legislative Budget Committee (2020), https://lao.ca.gov/reports/2020/4182/CSAC-022720.pdf.

55. Ibid.

56. State officials use TANF funding to cover grant costs for students who are unmarried, 25 or younger, and have family income of $50,000 or less. See, e.g., Legislative Analyst's Office, "TANF and SLOF adjustments for Cal Grant program," California Joint Legislative Budget Committee (2013), https://lao.ca.gov/Recommendations/Details/713.

57. Legislative Analyst's Office, "The 2012-13 budget: California spending plan," California Joint Legislative Budget Committee (2012), https://lao.ca.gov/reports/2012/bud/spending_plan/spending-plan-091312.aspx.

58. Ibid.

59. Legislative Analyst's Office, "Summary of financial aid recommendations," California Joint Legislative Budget Committee (2017), https://lao.ca.gov/Education/EdBudget/Details/24.

60. Michael Lemus, "California Student Aid Commission announces updates to Cal Grant equity framework (AB 1456), streamlining program with federal guidelines and reaching more students," California Student Aid Commission (2021), https://www.csac.ca.gov/sites/main/files/file-attachments/california_student_aid_commission_announces_updates_to_cal_grant_equity_framework_ab_1456_20210407.pdf.

61. Mike Wilkinson, "How Michigan families get welfare for private colleges," Detroit Free Press (2016), https://www.freep.com/story/news/local/michigan/2016/10/05/welfare-private-college-michigan/91554312.

62. Administration for Children and Families, "Strengthening Temporary Assistance for Needy Families (TANF) as a safety net and work program," U.S. Department of Health and Human Services (2023), https://www.federalregister.gov/documents/2023/10/02/2023-21169/strengthening-temporary-assistance-for-needy-families-tanf-as-a-safety-net-and-work-program.

63. California officials have previously explained that they use TANF carryover funds "to offset General Fund spending." See, e.g., Legislative Analyst's Office, "The 2024-25 budget: CalWORKs," California Joint Legislative Budget Committee (2024), https://lao.ca.gov/reports/2024/4872/CalWORKs-Budget-030424.pdf.

64. M. Hannah Padilla et al., "Improper payments: Key concepts and information on programs with high rates or lacking estimates," Government Accountability Office (2024), https://www.gao.gov/assets/gao-24-107482.pdf.

65. Office of Inspector General, "Review of improper Temporary Assistance for Needy Families basic assistance payments in Michigan for July 1 through December 31, 2005," U.S. Department of Health and Human Services (2007), https://oig.hhs.gov/documents/audit/4646/A-05-06-00068-Complete%20Report.pdf.

66. Office of Inspector General, "Review of improper Temporary Assistance for Needy Families basic assistance payments in New York for July 1 through December 31, 2005," U.S. Department of Health and Human Services (2007), https://oig.hhs.gov/documents/audit/3773/A-02-06-02015-Complete%20Report.pdf.

67. Office of Inspector General, "Review of improper Temporary Assistance for Needy Families basic assistance payments in Ohio for April 1, 2006 through March 31, 2007," U.S. Department of Health and Human Services (2008), https://oig.hhs.gov/documents/audit/4303/A-04-07-03520-Complete%20Report.pdf.

68. Office of Inspector General, "Review of improper Temporary Assistance for Needy Families basic assistance payments in Minnesota for April 1, 2006 through March 31, 2007," U.S. Department of Health and Human Services (2008), https://oig.hhs.gov/documents/audit/8329/A-07-07-01045-Complete%20Report.pdf.

69. U.S. Attorney's Office for the District of Montana, "Federal Jury convicts Helena woman of lying about income to receive government assistance benefits," U.S. Department of Justice (2023), https://www.justice.gov/usao-mt/pr/federal-jury-convicts-helena-woman-lying-about-income-receive-government-assistance.

70. U.S. Attorney's Office for the District of Columbia, "Former District government employee sentenced to 84 months in prison for scheme Involving over $1.4 million in fraudulently issued benefits," U.S. Department of Justice (2019), https://www.justice.gov/usao-dc/pr/former-district-government-employee-sentenced-84-months-prison-scheme-involving-over-14.

71. U.S. Attorney's Office for the District of Montana, "Former Blackfeet TANF director pleads guilty to massive welfare fraud after guardians uncover almost $300,000 in losses," U.S. Department of Justice (2014), https://www.justice.gov/usao-mt/pr/former-blackfeet-tanf-director-pleads-guilty-massive-welfare-fraud-after-guardians.

72. Office of Public Affairs, "Commonwealth of Pennsylvania to pay $48.8 million to resolve federal government's claims that it provided benefits to ineligible aliens," U.S. Department of Justice (2015), https://www.justice.gov/opa/pr/commonwealth-pennsylvania-pay-488-million-resolve-federal-governments-claims-it-provided.

73. In Lewiston, Maine, law enforcement raided a drug dealer's apartment, finding guns, $4,500 in cash, cocaine, and five EBT cards belonging to other people—what the prosecutor referred to as "a common currency for drugs." See, e.g., U.S. v. Paul Robinson, No. 2:14-cr-05-GZS (D. Me. 2014).

74. Another Lewiston case involved the Maine Drug Enforcement Agency (Maine DEA) raiding a dealer after receiving a tip that he was in possession of drugs and 20 EBT cards. Maine DEA identified at least 25 separate raids related to crack cocaine, heroin, fentanyl, prescription opioids, and other drugs in an 11-month window where they seized EBT cards belonging to others, typically known drug users. See, e.g., Mathew Cashman, "Testimony of Supervisory Special Agent Mathew Cashman in support of LD 607," Maine Department of Public Safety (2015).

75. In Ohio, federal prosecutors indicted Brandon Ojikutu after seizing fentanyl, cocaine, a Ruger 9mm handgun, and someone else's EBT card. See, e.g., U.S. Attorney's Office for the Northern District of Ohio, "Warrensville Heights man indicted on fentanyl, cocaine, firearms and food stamp fraud charges," U.S. Department of Justice (2018), https://www.justice.gov/usao-ndoh/pr/warrensville-heights-man-indicted-fentanyl-cocaine-firearms-and-food-stamp-fraud.

76. In New York, federal prosecutors charged Omar Alaidrus after a sting operation busted him trading fentanyl for EBT funds. See, e.g., U.S. Attorney's Office for the Northern District of New York, "Schenectady man charged with distributing fentanyl and xanax," U.S. Department of Justice (2024), https://www.justice.gov/usao-ndny/pr/schenectady-man-charged-distributing-fentanyl-and-xanax.

77. In another Ohio case, police arrested 14 individuals in a multi-year conspiracy involving trading EBT cards for cash, heroin, and other drugs. See, e.g., U.S. Attorney's Office for the Southern District of Ohio, "14 arrest warrants issued in alleged food stamp fraud, drug trafficking conspiracy," U.S. Department of Justice (2015), https://www.justice.gov/usao-sdoh/pr/14-arrest-warrants-issued-alleged-food-stamp-fraud-drug-trafficking-conspiracy.

78. In New Jersey, Rocco DePoder—the leader of a Gloucester City drug ring—pled guilty to trading opioids and other controlled substances for EBT cards. See, e.g., U.S. Attorney's Office for the District of New Jersey, "Ringleader of Gloucester City drug ring admits trafficking oxycodone, adderall, and xanax and engaging in SNAP fraud," U.S. Department of Justice (2020), https://www.justice.gov/usao-nj/pr/ringleader-gloucester-city-drug-ring-admits-trafficking-oxycodone-adderall-and-xanax-and.

79. In Missouri, Melanie Person was sentenced to six years in federal prison after trading methamphetamine for EBT cards. See, e.g., U.S. Attorney's Office for the Western District of Missouri, "Milo woman sentenced for SNAP fraud, meth trafficking," U.S. Department of Justice (2020), https://www.justice.gov/usao-wdmo/pr/milo-woman-sentenced-snap-fraud-meth-trafficking.

80. Even when not traded directly for drugs, enrollees can often trade these EBT cards for cash or prohibited items. In New York, the owners of a bodega were arrested for trading $20 million in EBT funds for cash and prohibited items like alcohol. See, e.g., U.S. Attorney's Office for the Eastern District of New York, "Two defendants charged with stealing or misusing $20 million in Supplemental Nutrition Assistance Program benefits," U.S. Department of Justice (2024), https://www.justice.gov/usao-edny/pr/two-defendants-charged-stealing-or-misusing-20-million-supplemental-nutrition.
81. In New Jersey, the owner of a grocery store pled guilty to trading EBT funds for cash. See, e.g., U.S. Attorney's Office for the District of New Jersey, "Camden, N.J., man admits that he exchanged more than $2.5 million in SNAP/food stamp benefits for cash," U.S. Department of Justice (2013), https://www.justice.gov/usao-nj/pr/camden-nj-man-admits-he-exchanged-more-25-million-snapfood-stamp-benefits-cash.
82. USDA estimated that $1.3 billion in food stamp funds were trafficked annually between 2015 and 2017. More than one in five small grocery stores and convenience stores accepting EBT are believed to be trafficking benefits. These small stores make up nearly 56 percent of all authorized retailers in the food stamp program. See, e.g., Office of Policy Support, "The extent of trafficking in the Supplemental Nutrition Assistance Program: 2015–2017," U.S. Department of Agriculture (2021), https://fns-prod.azureedge.us/sites/default/files/resource-files/Trafficking2015-2017-3.pdf.
83. Given the fact that food stamp spending grew by nearly 80 percent between 2017 and 2022, actual EBT trafficking costs are likely far higher than the 2015-2017 estimate, as it is even more lucrative for criminals today. See, e.g., Food and Nutrition Service, "Supplemental Nutrition Assistance Program participation and cost," U.S. Department of Agriculture (2024), https://fns-prod.azureedge.us/sites/default/files/resource-files/snap-annualsummary-9.pdf.
84. Although USDA does not monitor TANF fund trafficking, food stamp benefits and TANF funds are loaded onto the same EBT cards, and virtually all TANF enrollees also receive food stamps. See, e.g., Census Bureau, "Current Population Survey: Annual social and economic supplement," U.S. Department of Commerce (2024), https://data.census.gov/mdat.
85. A report by the Government Accountability Office found that more than one in four food stamp recipients make purchases with their EBT cards across state lines. More than 10 percent of these out-of-state transactions are made in states that do not border the state which issued the EBT card. See, e.g., Kathryn Larin and Seto J. Bagdoyan, "Supplemental nutrition assistance program: disseminating information on successful use of data analytics could help states manage fraud risks," Government Accountability Office (2018), https://www.gao.gov/assets/700/694848.pdf.
86. In Utah, a state audit discovered hundreds of individuals who used their food stamp EBT cards for purchases exclusively made out of state for at least six months. The audit found individuals using their Utah-issued EBT cards exclusively in Florida for 17 months, in Oklahoma for a year and a half, and in Missouri for three years. One individual used his EBT card in four different states—none of them Utah—for more than a year. Of these egregious abuses discovered in the audit, the agency had flagged fewer than two percent for investigation. See, e.g., David S. Pulsipher, "A performance audit of data analytics techniques to detect SNAP abuse," Utah Office of the State Auditor (2016), https://site.utah.gov/auditor/wp-content/uploads/sites/6/2013/05/Audit-Brief-Office-of-the-Utah-State-Auditor-A-Performance-Audit-of-Data-Analytics-Techniques-to-Detect-SNAP-Abuse.pdf
87. In Missouri, thousands of recipients were using their EBT cards for purchases made exclusively out-of-state for at least three months, including some who did so for up to 729 days, almost two years. These out-of-state recipients used their Missouri-issued EBT cards for purchases in every state in America. See, e.g., Nicole Galloway, "Supplemental Nutrition Assistance Program (SNAP) data analytics program," Missouri Office of the State Auditor (2018), https://app.auditor.mo.gov/Repository/Press/2018032266672.pdf.

88. H.R. 7426 (2024), https://www.congress.gov/bill/118th-congress/house-bill/7426.
89. H.R. 7554 (2024), https://www.congress.gov/bill/118th-congress/house-bill/7554.
90. H.R. 7441 (2024), https://www.congress.gov/bill/118th-congress/house-bill/7441.
91. H.R. 7446 (2024), https://www.congress.gov/bill/118th-congress/house-bill/7446.
92. H.R. 7449 (2024), https://www.congress.gov/bill/118th-congress/house-bill/7449.
93. H.R.7431 (2024), https://www.congress.gov/bill/118th-congress/house-bill/7431.
94. Food and Nutrition Service, "Supplemental Nutrition Assistance Program participation and cost," U.S. Department of Agriculture (2024), https://fns-prod.azureedge.us/sites/default/files/resource-files/snap-annualsummary-9.pdf.
95. Congressional Budget Office, "Historical budget data: February 2024," Congressional Budget Office (2024), https://www.cbo.gov/system/files/2024-02/51134-2024-02-Historical-Budget-Data.xlsx.

Chairman SMITH. Thank you.

Mr. Favre, you are now recognized.

STATEMENT OF BRETT FAVRE, SUMRALL, MISSISSIPPI

Mr. FAVRE. Chairman Smith, Ranking Member Neal, members of the committee, my name is Brett Favre, and I very much appreciate the opportunity to testify here today.

I was born and raised in Mississippi. My parents were schoolteachers. I played football for Southern Miss and professionally for 20 years and was inducted into the Pro Football Hall of Fame.

Since I retired from football, I have engaged in various business enterprises and endorsed products I believe in, and, with my wonderful wife, Deanna, helped many charities in my home State and elsewhere.

Throughout my career there were many highs and many lows. Those lows helped me find out who I really am. They taught me to persevere, overcome challenges, and succeed. But the challenges my family and I have faced over the last 3 years because certain government officials in Mississippi failed to protect Federal TANF funds from fraud and abuse and are unjustifiably trying to blame me, those challenges have hurt my good name and are worse than anything I faced in football.

When this started, I didn't know what TANF was. Now I know TANF is one of the country's most important welfare programs to help people in need. This is a cause dear to my heart and to Deanna's, as we have our own Favre 4 Hope Foundation to help disadvantaged children.

In 2020, Mississippi claimed that $77 million in TANF funds had been misspent resulting in criminal convictions of State officials and people running a nonprofit which had received these funds. This nonprofit had a long-standing partnership with the State and an impeccable reputation.

Mississippi also brought a civil lawsuit against numerous individuals, including me. The gag order bars the parties from discussing the specifics of the lawsuit. Instead, I am here to share what I've now seen up close about how reforms are needed to stop the misspending of TANF funds.

Even before I was sued, when I was informed that the nonprofit appeared to have improperly used TANF funds, I returned to the State the funds I had received. Even though I had provided services to the nonprofit and even though I knew, and I know, I had done nothing wrong, I returned the funds, no questions asked.

I had also offered to help raise funds for a new volleyball facility at Southern Miss, yeah, the one that has gotten all the publicity. I wanted to help my alma mater and benefit the community. Southern Miss introduced me to the nonprofit to see if they could help with the funding. I had no way of knowing that there was anything wrong with how the State funded the project, especially since it was publicly approved by many State agencies and multiple attorneys, including the Attorney General.

Sadly, I also lost an investment in a company that I believed was developing a breakthrough concussion drug I thought would help others. And I am sure you will understand, while it is too late for me, because I have recently been diagnosed with Parkinson's, this is also a cause dear to my heart. Recently the doctor running the company pleaded guilty to taking TANF money for his own use.

I believe that I got swept up in a civil lawsuit at the instigation of State Auditor Shad White, an ambitious public official, who decided to tarnish my reputation to try and advance his own political career, even after he applauded me for returning the funds and said there was no evidence that I knew TANF funds were involved. And, strangely enough, Shad did not bring the TANF misuse issue to the Department of Justice, but to a local DA, who himself is now under Federal and criminal investigation.

He has profited from his position as someone with firsthand knowledge of the Mississippi case. But when my lawyers wanted to question him under oath, he swore he had no personal knowledge of the events. I have now sued Shad for defamation in a case upheld by the Court. Most recently the Mississippi Attorney General has even sued Shad for exceeding his powers in going after me.

I have also learned that the State, believe it or not, is using TANF funds to pay outside private lawyers, Adam Stone and Kaytie Pickett of the Jones Walker firm, to sue me and others. Those same lawyers before they sued me came to my hometown to try to convince me to retain them in this very dispute. I also understand that those same lawyers 3 years ago never even interviewed witnesses before they sued me and rejected a settlement offer from Southern Miss to resolve this dispute early on through scholarships for TANF-qualifying students, a settlement that would have shut off the flow of TANF funds to the lawyers.

Importantly, I have learned that nobody was or is watching how TANF funds are spent. Our laws don't sufficiently protect against TANF spending unrelated to helping people out of poverty. States have too much flexibility on how they spend this money, which leads to waste and abuse. We need mechanisms for oversight of TANF spending and greater clarity as to permissible uses of TANF funds. Democrats and Republicans should agree. Rampant State misuse of TANF funds is hurting efforts to help vulnerable families and children.

And I was told the Ways and Means Committee was working on this problem, so I was willing to speak to you to encourage Congress to reform this important antipoverty program, and I urge Congress to put TANF guardrails in place to ensure that what happened in Mississippi doesn't happen again.

I urge Congress to pass the TANF reforms included in the committee member bills, reforms designed to target funds to those truly most in need, to help low-income Americans find and keep a job, to limit how States can spend TANF grants and reduce wasteful bureaucracy, and to protect taxpayer funds from fraud and abuse.

And in closing, thank you Chairman Smith and Ranking Member Neal.

[The statement of Mr. Favre follows:]

BRETT FAVRE

Chairman Smith, Ranking Member Neal and Members of the Committee:

My name is Brett Favre, and I very much appreciate the opportunity to testify here today.

I was born and raised in Mississippi. My parents were schoolteachers. I played football for Southern Miss and professional football and was inducted into the Pro Football Hall of Fame. Since I retired from football, I have engaged in various business enterprises, endorsed products I believed in and, with my wonderful wife Deanna, helped many charities in my home state and elsewhere.

When I was playing football, I had a lot of successes, but also some lows. Those lows helped me find out who I really am—they helped me learn to persevere, overcome challenges and succeed.

But the challenges my family and I have faced over the last three years—because certain government officials in Mississippi failed to protect federal TANF funds from fraud and abuse, and are unjustifiably trying to blame me—those challenges have hurt my good name and are worse than anything I faced in football.

When this started, I didn't know what TANF was. Now I know, TANF is one of our country's most important welfare programs to help people in need. This is a cause dear to my heart and to Deanna's—we have our own Favre 4 Hope Foundation to help disadvantaged children.

In 2020, Mississippi claimed that over $94 million in TANF funds had been misspent, resulting in criminal convictions of a state official and people running a nonprofit which had received the funds. This nonprofit had had a long-standing partnership with the State and an impeccable reputation.

Mississippi also brought a civil lawsuit against numerous individuals, including me. A court gag order bars the parties from discussing the specifics of the lawsuit. Instead, I'm here to share what I've now seen up close, about how reforms are needed to stop the misspending of TANF funds.

Even before I was sued, when I was informed that the nonprofit appeared to have improperly used TANF funds, I returned to the State the funds I had received, even though I had provided services to the nonprofit and even though I knew, and I know, I had done nothing wrong. I returned the funds, no questions asked.

I had also offered to help raise funds for a new volleyball facility at Southern Miss—the one that's gotten all the publicity. I wanted to help my alma mater and benefit the community. Southern Miss introduced me to the nonprofit to see if they could help with funding. I had no way of knowing that there was anything wrong with how the State funded the project especially since it was publicly approved by many State agencies and multiple attorneys including the Attorney General.

Sadly, I also lost my investment in a company that I believed was developing a breakthrough concussion drug I thought would help others. As I'm sure you'll understand, while it's too late for me—I've recently been diagnosed with Parkinson's—this is also a cause dear to my heart. Recently, the doctor running this company pleaded guilty to improperly taking TANF money for his own use.

I believe that I got swept up in the civil lawsuit at the instigation of State Auditor Shad White, an ambitious public official, who decided to tarnish my reputation to try to advance his own political career—even after he applauded me for returning the funds and said there was no evidence that I knew TANF funds were involved. There is no evidence because I did not know. Mr. White has shamelessly defamed me anyway based on snippets of text messages which don't at all mean what he says they mean.

And, strangely enough, Mr. White did not bring the TANF misuse issue to the Department of Justice, but to a local D.A. who himself is now under federal criminal investigation. He has profited from his position as someone with "first-hand knowledge of the Mississippi case," but when my lawyers wanted to question him under oath, he swore he had "no personal knowledge of the events." I've now sued Mr. White for defamation in a case upheld by the court. Most recently, the Mississippi Attorney General has even sued Mr. White for exceeding his powers in going after me.

I've also learned that the State, believe it or not, is using TANF funds to pay outside private lawyers, Adam Stone and Kaytie Pickett of the Jones Walker firm, to sue me and the others. Those same lawyers, before they sued me, came to my home town to try to convince me to retain them in this very dispute. I also understand that those same lawyers, three years ago, never even interviewed witnesses before they sued me and rejected a settlement offer from Southern Miss to resolve this dispute early on through scholarships for TANF-qualifying students—a settlement that would have shut off the spigot of TANF funds to the lawyers.

Importantly, I have learned that nobody was—or is—watching how TANF funds are spent. Our laws don't sufficiently protect against TANF spending unrelated to helping people out of poverty. States have too much flexibility in how they spend this money, which leads to waste and abuse. We need mechanisms for oversight of TANF spending and greater clarity as to permissible uses of TANF funds. Both Democrats and Republicans should agree—rampant state misuse of TANF funds is hurting efforts to help vulnerable families and children.

I was told the Ways and Means Committee was working on this problem, so I was willing to speak to you to encourage Congress to reform this important anti-poverty program.

I urge Congress to put TANF guardrails in place to ensure that what happened in Mississippi doesn't happen again. I urge Congress to pass the TANF reforms included in the

Committee Member bills—reforms designed to target funds to those truly most in need, to help low-income Americans find and keep a job, to limit how States can spend TANF grants and reduce wasteful bureaucracy and to protect taxpayer funds from fraud and abuse.

In closing, I would like to thank Chairman Smith and Ranking Member Neal for the opportunity to testify.

Chairman SMITH. Thank you.

Mr. Underhile, you are now recognized.

STATEMENT OF MATT UNDERHILE, SHIFT SUPERVISOR, STODDARD COUNTY SHERIFF'S OFFICE, BLOOMFIELD, MISSOURI

Mr. UNDERHILE. Thank you, Chairman Smith, Ranking Member Neal, and members of the committee. I am Matt Underhile. I am 47 years old, husband to Leta, father of seven children. I work as a corrections officer at Stoddard County Sheriff's Department and just accepted a position with the FCC, Family Counseling Center, and I would like to share my story of how TANF funding has changed my life.

As a freshman in high school, I lost both of my parents to cancer, quickly dropped out of school, fell into a life of drugs and violence. I was homeless for about a year, worked inconsistent jobs in construction and jobs for cash, sold drugs, and had no employment benefits. During this 17 years, I struggled to pay child support payments and support my family. It is not a life I am proud of. At my rock bottom, I was invited to a graduation for my best friend's son, which I have known since birth. When I showed up, I was so high that he told me that it was best that I leave. That made me start rethinking my life choices. I didn't go to rehab, but I stopped using and stopped running around with the people that were bad influences on me and my life. I met my wife Leta, married her a year after, and she helped me become a better person, and live a life that her and I could both be proud of.

I found out about the Missouri Excel Center program on Facebook. My wife and I agreed that I would earn my high school diploma and she would work to support the family. I started class in March of 2019. The Missouri Excel Center helped me restart, and I graduated a year later. I participated in things like SkillUP. They offered me transportation money to help me get back and forth to school because I was driving 60 miles round trip.

The SkillUP program and the Excel Center offered all kinds of employment-driven opportunities to students. They have classes that teach you how to be a good employee, what employers are looking for, and soft skills, like what to wear, how to communicate, how to advocate for yourself.

My SkillUP specialist put on a career day where local businesses came to the school, presented to students what employment at their business would look like, what they were looking for in employees, and how to get the job and be a good employee. She designed it to where the students would be able to apply for the position on the spot, interview, get hired at these businesses.

She was also active in the community. If a student needed steel toe shoes, scrubs, or anything like that that would help their employment, SkillUP would purchase these items to help relieve the burden of expense, and work to go to training.

While at the Excel Center, I also participated in Coffee Club put together by the school and SkillUP where graduates would get together and discuss what was going on in their lives and provide support and encouragement and networking after you graduated.

You are always encouraged to go back. If life gets too hard, you need to talk to somebody, they are there for you. If you have trouble finding a job, they will help you.

SkillUP helped me figure out how to dig myself out of a hole. When I went to register for FAFSA for college, I found out that I had not registered for Selective Service because I was homeless at the time, and my SkillUP specialist found a way and helped me write a letter explaining my circumstances, and they approved for me to receive FAFSA funds to go to college.

I then got a job as a corrections officer, where I am now working. I also work with local drug court doing UA's for the males, and I have discovered through this journey that I enjoy helping others. And I have learned through SkillUP and the Excel Center that there is always ways to remove any barrier you may have, that there are people, programs that can take care of you and help you.

Thank you.

[The statement of Mr. Underhile follows:]

Matt Underhile
Shift Supervisor, Stoddard County Sheriff's Office
Bloomfield, Missouri

Testimony before the House Committee on Ways and Means
"Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Dollars Leaves Needy Families Behind"

Hearing – Washington, DC
September 22, 2024

Thank you, Chairman Smith, Ranking Member Neal, and Members of the committee. I am Matt Underhile, I am 47 years old, husband to Leta, and father to 7 children. I work as a Corrections Officer at the Stoddard County Sheriff's Department and just accepted a position with the FCC (Family Counseling Center). I would like to share my story with you and how TANF funding has changed my life.

As a freshman in high school, I lost both of my parents to cancer and quickly dropped out of school and fell into a life of drugs and violence. I was homeless for about a year and worked inconsistent odd jobs and construction for cash, sold drugs, did the drugs, and had no employment benefits. During this time of about 17 years, I struggled to make my child support payments and support myself and family. It is not a life I am proud of. At my rock bottom I was invited to graduation for my best friend's son that I've known since his birth and when I showed up, I was so high on meth that my friend knew I was high and told me it was better if I left. That hurt and made me start rethinking my life choices. I did not go to rehab, I stopped using and running around with the people that were bad influences on me and I met my wife Leta. We married one year after meeting. She helped me to become a better person and live a life her and I both could be proud of.

I found out about the Missouri Excel Center program on Facebook, my wife and I agreed that I would earn my high school diploma, and she would work to support the family. I started classes in March 2019. The Missouri Excel Center helped me re-start and I graduated one year later. While enrolled, I participated in things like the Excel Center SkillUP program, they offered me transportation money to help me get to and from school as I was driving about 60 miles round trip every day. The Skillup program at the Excel Center offered all kinds of employment driven opportunities to students. They have classes that teach what it is to be a good employee, what employers are looking for in employees, soft skills like what to wear, how to communicate, and how to advocate for yourself. My Skillup Specialist put on a Career Day where local businesses came to school and presented to students what employment at their business looked like, what they were looking for in employees, and how to get a job and be a good employee. She designed it where employers would come to the school and let students apply for positions on the spot, interview, and get hired at these businesses. My Skillup Specialist is active in the community. If a student needed steel toe shoes or scrubs or anything to help them with their employment, Skillup could purchase these items for them, to help relieve the burden of the expense to work, or go to training.

While at the Excel Center I also participated in Coffee Club, a club put on by the school and Skillup, where graduates would get together to discuss what was going on in their lives and provide support, encouragement, and networking. After you graduated from the Excel Center, their support does not stop. You are always encouraged to come back. If life gets hard and you need to talk to somebody, they are there for you. If you are having trouble finding a job, they will help you. If you need to use a computer, they will let you. If you need help with food or clothing, they will help you. They treat you like family - for life.

Skillup helped me figure out how to dig myself out of the hole I dug by not registering for Selective Service when I turned 18. I was homeless and on drugs at the time, didn't do it. I wanted to go to college, I filled out the FAFSA, and learned that I did not qualify because of this. My Skillup Specialist found a way and helped me write a letter explaining the circumstance and that I wanted to apply for financial aid to go to college, and we got it approved. Then Covid hit and our local Community College didn't offer the classes I needed online.

I then got a job as a corrections officer at Stoddard County Sheriff's Department where I am now a shift supervisor. I also work at the local drug court doing UA's for the males.

I have discovered through this journey that I enjoy helping others like me. I have learned through the Excel Center and Skillup that there is always a way to remove any barrier you may have. That there are people and programs out there that care and can help.

I recently applied at Family Counseling Center in Poplar Bluff Mo to be a Peer Support Specialist, to be able to help others that are in the situation I was, as I have been helped.

Chairman SMITH. Thank you.
Mr. Dortch.

STATEMENT OF JARVIS DORTCH, EXECUTIVE DIRECTOR, AMERICAN CIVIL LIBERTIES UNION (ACLU) OF MISSISSIPPI

Mr. DORTCH. Chairman Smith, Ranking Member Neal, members of the committee, thank you for this opportunity.

Through my statement, I hope to relay three points to the committee. First, the State of Mississippi took advantage of lax Federal guidelines to make it nearly impossible for poor families to receive help, leaving millions in welfare funds to be wasted or stolen. Second, after the largest embezzlement scandal in State history, little in Mississippi has changed. Third, Mississippi families can only look to Congress through reform assistance. Whatever those reforms may be, know that Mississippi is not an example of what works.

Beginning in 2016, while a member of the Mississippi legislature, I talked with several advocates and constituents concerned with the lack of transparency within the agency that administers TANF, the Mississippi Department of Human Services, MDHS. I also quickly learned that being a legislator did not entitle me to useful information from MDHS.

However, there were a few things that we did know. We knew MDHS rejected nearly every applicant for cash assistance. In 2012, the State's TANF approval rate dropped from 35 percent to 2.8 percent. In April of 2021, in the middle of COVID, the entire adult caseload reached its lowest mark, just 140 individuals.

We knew MDHS refused to spend welfare funds, yearly foregoing between 30 and 40 percent of its TANF grant. We also knew that MDHS outsources TANF programs to a nonprofit director named Nancy New. New received over $50 million to operate her Families First for Mississippi initiative.

In May of 2019, I wrote a letter received by the Federal Department of Health and Human Services stating, "Neither MDHS or Families First has provided the public with the program's budget priorities for deliverables and outcomes," end quote. HHS responded that Mississippi's TANF expenditures were allowed, and further scrutiny was unnecessary.

However, a few months later, New and the former MDHS director were arrested and have since pleaded guilty to misspending welfare funds. Following their arrest, we finally learned in detail how Mississippi spent welfare dollars. This isn't an exhaustive list, but millions were paid for cars, vacations, and real estate; over $2 million went to a professional wrestler aptly nicknamed, "The Million Dollar Man"; $9,500 a month paid the mortgage on a horse ranch owned by a former professional football player; and we really love our football in Mississippi, so the State paid another professional football player over $1 million to compensate him for appearance fees, promotions, and autographs.

Nearly 5 years later, little has changed. Lawmakers have passed zero bills addressing the scandal. In fact, there have been zero hearings in the Mississippi legislature on TANF.

Along with the embezzlement of millions of dollars, lawmakers went after TANF recipients who receive, at most, $170 a month.

Just weeks after the arrest the legislature passed a bill allowing the State to audit the tax returns of the families that received TANF and other public benefits.

So, of course, the cash assistance denial rate remains above 90 percent, reaching just 0.06 percent of impoverished Mississippi adults.

Mississippi continues hoarding TANF money with $145 million in unallocated funds. Subgrantees still receive awards up to $35 million a year. Despite MDHS tasking these grantees with providing workforce training, school programs, and mentorship, the current MDHS director has stated that his agency does not track the outcomes of these funded programs. When a legislator asked for subgrantee performance data, the director stated, quote, “You are asking me for information that doesn’t exist,” end quote.

Mr. Chairman, I applaud you and your committee’s commitment to ensuring TANF helps the people that need it, but please remember that many of Mississippi’s former and current spending decisions are allowed because of TANF’s weak Federal guidelines. That must change.

Congressman Danny Davis, Mississippi Congressman Bennie Thompson, and others on this committee have proposed legislation that penalize States that misspend TANF funds and require those States to allocate more funding towards cash assistance. That legislation would enforce Mississippi to make real change to its TANF program.

Most importantly, Congress must assure that individuals and families in need have the cash resources to survive. The expanded child tax credit cut in half the number of Mississippi’s Black children living in poverty. Last summer, members of the Work and Welfare Subcommittee learned of the success of the Magnolia Mother’s Trust, a program that provides $1,000 a month to moms in poverty without restrictions.

These programs are clear evidence that direct cash assistance, absent Mississippi’s paternalistic red tape, can effectively lift families out of poverty.

Mr. Chairman, when the committee considers reforms to TANF, please ask this question: Would this policy change or prevent what has and what continues to happen to Mississippi?

Again, thank you for this opportunity, and I look forward to answering any questions.

[The statement of Mr. Dortch follows:]

ACLU Mississippi

WRITTEN TESTIMONY FOR THE RECORD

FOR THE HEARING "REFORMING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF): MISUSE OF WELFARE FUNDS LEAVES POOR FAMILIES BEHIND."

THE COMMITTEE ON WAYS & MEANS

SEPTEMBER 24, 2024

BY JARVIS DORTCH, ESQ
EXECUTIVE DIRECTOR, ACLU OF MISSISSIPPI

Chairman Smith, Ranking Member Neal, members of the committee.

Thank you for the opportunity to provide testimony and give my perspective on Mississippi's recent administration of its Temporary Assistance for Needy Families (TANF) program.

Let me begin by acknowledging that my remarks are informed by the many Mississippi advocates who have dedicated their careers to advancing the economic, educational and health standings of low-income communities.

With my statement, I hope to relay three points to the committee.

First: The State of Mississippi took advantage of the lax federal guidelines governing TANF to deprive thousands of low-income families the assistance they needed. The absence of real oversight allowed Mississippi to divert millions of dollars to disreputable nonprofits with vague objectives.

Second: Little has changed since 2020 despite arrests of multiple individuals, including the director of the state agency that administers the TANF block grant, for defrauding the state and misspending $94 million in welfare funds. Even in the face of obscene levels of fraud, the Mississippi Legislature has failed to take any action address these failures. In fact, to date, no legislative committee has held a hearing on the scandal or the TANF program, in general. As a result, there are still very few families receiving assistance and little publicly accessible information on the third parties receiving TANF grants.

Third: The Mississippi families that need assistance, and there is plenty of need in our state, are left to look this committee and Congress to reform the system. Whatever, those reforms may be, be sure that Mississippi is not an example of what works. Mississippi is case in point for the need for policies that verify that families in need are being assisted. Congress must make sure that states use TANF dollars to ensure people have the cash to purchase essential needs; that parents can obtain quality childcare; and families have access to transportation that allows people to reach work. States should not be allowed to manipulate statutory ambiguities to divert funds to unrelated pet projects, instead, they must be required to adhere to the spirit of the TANF program.

Returning to the issue of accountability. From 2016 through the summer of 2020, I served in the Mississippi House of Representatives. Early in my first term, I had conversations with several policy experts concerned with state's administration of TANF. Organizations like the Mississippi Low-Income Childcare Initiative, Children's Defense Fund, Mississippi Center for Justice, Mississippi Black Women's Roundtable, One Voice and the Southern Poverty Law Center have a long history of advocating on behalf of Mississippi's low-income families.

These organizations and their staff were rightly concerned about the dramatic decrease in the number of Mississippi families receiving TANF benefits. In addition, there was very little public information coming from the Mississippi Department of Human Services (MDHS), the state agency charged with administering TANF and other federally funded public assistance programs.

Despite being a member of the Mississippi Legislature, I quickly learned that I couldn't receive information related to the state's TANF spending.

The info that we could gather came from the agency's thin reporting to the U.S. Department of Health and Human Services (HHS).

Looking back at the period between 2012 and 2021, there a few things that we did know.

1. MDHS rejected nearly every application for TANF cash assistance. In 2012, the first year of former Governor Phil Bryant's administration, the state's TANF approval rate dropped from 35% to 2.8%. In 2015, only 190 adult applications for cash assistance were approved. Mississippi's TANF cash assistance caseload reached its lowest point during the COVID-19 Pandemic, with 140 adults served in April 2021[1].
2. The MDHS refused to spend welfare funds, even as the state suffered through high unemployment during the Great Recession. While states are allowed to carry over

[1] Temporary Assistance for Needy Families (TANF) Caseload Data - Fiscal Year (FY) 2021

funds, Mississippi declined, yearly, to spend between 30 and 40 percent of its TANF grant[2].

3 Instead of assisting families in need, MDHS used its discretion to divert millions of dollars to third party entities and families living well beyond the poverty level. MDHS spent up to $18 million on scholarships for post-secondary education, available to people with incomes up to 350 percent of the federal poverty level. The agency used the bulk of its TANF dollars to fund nonprofit organizations run by Nancy New and her initiative, Families First for Mississippi. The state directed some $53 million to New's organizations.

In May of 2019, I wrote a letter received by the Department of Health Human Services that stated "Neither MDHS or Families First has provided the public with the program's budget priorities or deliverables and outcomes under this award." HHS responded that MDHS' TANF expenditures were allowable and further scrutiny was unnecessary.

New was indicted 2020 and has pleaded guilty to fraud and embezzlement charges for misspending welfare funds.

Of course, in 2020, we would start to learn more on what exactly Mississippi spent its welfare dollars. The list is long, embarrassing and quite upsetting. Nancy New and family spent millions on cars and real estate. Over $2 million went to a professional wrestler, aptly nicknamed "the Million Dollar Man." $9,500 a month was spent paying the mortgage on horse ranch owned by a former professional football player. We love our football in Mississippi so much, over $1 million in welfare funds went to another retired professional football player to compensate him for appearance fees, promotions and autographing for marketing materials.

So, what has changed? Or more accurately, what has not changed.

Five years later, the Legislature has not passed a single piece of legislation that reforms TANF or changes how MDHS administers welfare programs. In fact, there have been ZERO legislative hearings on the TANF scandal.

As a result, Mississippi's TANF cash assistance application approval rate was 7.1% and its denial rate was 92.8% in 2021. This low rate of TANF cash assistance approval supports the historically low number of individuals receiving direct cash assistance.

[2] Mississippi's Temporary Assistance for Needy Families (TANF) Program at 25: After a Scandal and the Failure of TANF as a Safety Net Before and During the Pandemic, Major Reforms are Needed to Turn the Tide

TANF reaches an almost negligible number of Mississippi families below poverty and only 0.06% of impoverished adults.

Based on the latest reporting, Mississippi is sitting on $145 million in unallocated TANF funds[3]. These are dollars could help families meet their basic needs. Offset the rising costs of groceries. Provide transportation services for low-income workers living in rural Mississippi.

Instead, Mississippi continues to spend little on direct cash assistance while continuing to provide TANF dollars to unaccountable third parties. MDHS is sending $35 million a year to subgrantees. These organizations are tasked with providing workforce training, after school programs and mentorship. But the current MDHS Director Bob Anderson has publicly state that his agency does not track the outcomes of these funded programs. When a legislator asked Mr. Anderson for performance data for TANF subgrantees, he stated, "You're asking me for information that doesn't exist."[4]

Many expected, or better said, hoped lawmakers would fully respond to such an embarrassing scandal. Many were disappointed.

Instead of probing the state's largest ever public embezzlement case, the Mississippi Legislature chose to sustain and expand policies that made it harder for low-income families to access TANF.

Less than a month after the arrests of Davis and New, the Legislature did take action to address supposed TANF fraud. It passed a bill allowing the state to audit the tax returns of the low-income families, lucky enough to obtain welfare benefits.

Despite clear evidence that fraudsters were taking advantage of poor oversight and lax rules to siphon $94 million in TANF funds, the Mississippi legislature chose to further scrutinize low-income individuals who could receive, at most, $170 a month.

When it comes to public assistance, Mississippi has chosen to criminalize poverty even when there is clear evidence that families in need are not getting the help they deserve. In 2017, the Mississippi legislature adopted legislation, titled the HOPE Act, requiring additional personal and income verifications for SNAP or TANF beneficiaries. These verifications are in addition to existing state efforts to check eligibility and contracted out to third-party vendors.

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[3] FY 2022 Federal TANF & State MOE Financial Data | Table of Contents
[4] 'Downright sinful': As Mississippi is mired in welfare scandal, advocates say the state still isn't aiding the poor

For multiple years, Bob Anderson, Republican appointed director of MDHS, has asked the legislature to repeal the HOPE Act. Anderson has said that MDHS is being required to create fraud and abuse systems "that we will never use" because they are redundant or not needed[5]. "It's costing the state," Anderson said. Despite his requests, the legislature has not repealed the HOPE Act and continues wasting taxpayer dollars.

Despite Mississippi having a record amount in its rainy-day fund, lawmakers have chosen to use TANF funds to cover the costs of litigation related to scandal. Again, despite having billions in surplus funds, the Legislature used TANF funds to comply with a federal court order that reprimanded the state for failing to protect children in foster care.

Following lengthy litigation, Mississippi agreed to allocate millions to hire more social workers and staff to protect children in state custody from abuse or neglect. After initially failing to appropriate the funds required under the settlement, the state looked to TANF. In recent years, MDHS has annually transferred $30 million in TANF funds to the Department of Child Protective Services to comply with a court ordered settlement.

Instead of an appropriation of state dollars, MDHS has billed TANF for over $2 million to pay outside attorneys to recover misspent TANF funds. Through litigation, MDHS is attempting to claw back millions in alleged misspent welfare funds from former MDHS Director John Davis, nonprofit operator Nancy New, former NFL quarterback Brett Favre and others[6].

We cannot lose sight of the fact that the government of the most impoverished state in the nation, confronted with an obscene level of embezzlement and abuse within its welfare system, has chosen to look the other way.

Mr. Chairman, I applaud you and your committee's commitment to ensuring TANF helps the people that need it. As you all work on this issue, please remember that many of these former and current spending decisions, made by Mississippi, are allowed because of TANF's federal guidelines. That must change.

I urge the committee to pass legislation creating a TANF ombudsman program with a watchdog that has teeth. Yes, this would protect taxpayers from fraud and monitor states for misspending. But it would also be a tool to gather real data on what works and what doesn't work.

Congressman Danny Davis and others on this committee have proposed legislation to penalize states that misspend TANF funds and require those states to allocate more

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[5] 12,000 poor Mississippi kids slated to lose child care, welfare chief warns lawmakers

[6] Mississippi Is Paying Lawyers TANF Funds to Recover Misspent TANF Funds

funding towards cash assistance for needy families. This legislation would have forced Mississippi, in response to the embezzlement scandal, to make real changes to its TANF program.

Congress must not follow Mississippi's path by prescribing redundant verification systems and punitive measures that only harm families in need and enrich third-party contractors.

The vast majority of Mississippians who lose TANF benefits lose them due to these administrative barriers. Reasons other than employment and earnings account for 69.2% of closed TANF cases in Mississippi.[7] Individuals and families aren't moving off welfare because they are moving out of poverty or because they have exhausted their eligibility. They lose assistance because the state overly scrutinizes poor families while having no quality standards for third party grantees receiving millions.

There should not be any point in time when a state, so soaked in poverty, can have a TANF caseload of just 140 adults.

I also urge Congress to advance legislations to ensure TANF dollars actually reach low-income individuals and families. It is not enough to require a state to spend its grant dollars. Remember, Mississippi found creative but repugnant ways to spend millions.

In doing so, Congress must stop states from exploiting TANF's broad reporting requirements. For instance, in 2020, Mississippi reported spending $22.7 million on "work, education, and training services." Sounds good until you look under the hood. Over $18 million of that sum was spent on a scholarship program, available to people with incomes up to 350 percent of the federal poverty level[8].

I believe it would be worthwhile for Mississippi to expand the aid programs to help more Mississippians attend college. But how is it so difficult for desperately needy families to get TANF assistance while MDHS can effectively use its welfare dollars to assist upper-middle class families?

While innovation is needed, there are policies proven to advance employment and assist low-income families. We know parents can work and earn more when they can access reliable transportation and afford quality childcare.

Congress must push states to address childcare deserts and ensure states move available childcare dollars directly to providers and families. That includes reforming TANF and the

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[7] Mississippi's Temporary Assistance for Needy Families (TANF) Program at 25: After a Scandal and the Failure of TANF as a Safety Net Before and During the Pandemic, Major Reforms are Needed to Turn the Tide
[8] Mississippi's Temporary Assistance for Needy Families (TANF) Program at 25: After a Scandal and the Failure of TANF as a Safety Net Before and During the Pandemic, Major Reforms are Needed to Turn the Tide

Childcare Development Block Grant to ensure states are maximizing their block grant dollars to make quality childcare accessible and affordable.

Congress must guarantee that individuals and families have the cash resources to survive. The 2021 expanded Child Tax Credit cut in half, the number of Mississippi's Black children living in poverty. The Child Tax Credit is evidence that direct assistance, absent Mississippi's paternalistic red tape, can effectively lift families out of poverty.

Last summer, Dr. Aisha Nyandoro, appeared before the Ways and Means, Work and Welfare subcommittee. Dr. Nyandoro is the CEO of Springboard to Opportunity, located in Jackson, Mississippi. Her organization administers the Magnolia Mother's Trust, a program that provides $1,000 monthly to moms in poverty for one year, without restrictions. Under the program, these moms receive one on one support from trained staff.

The monthly assistance helps families afford groceries, childcare and other necessities. It gives these moms the space to breath and plan for their future. Magnolia Mother's Trust is a supportive cash assistance program as opposed to the punitive program employed by MDHS. This committee should work further with Dr. Nyandoro and view her organization's program as a model for reforming TANF.

Mr. Chairman, I hope when the committee considers legislation to reform TANF, members ask one question. Would this policy change or prevent what has and what continues to happen in Mississippi?

Again, thank you for this opportunity, and I look forward to answering any questions you may have.

Chairman SMITH. Thank you all for your testimony.

We will start with the question-and-answer portion.

Mr. Favre, when we previously spoke, you said something that really stuck out to me. You said before all of this you didn't know what TANF money was. And it is quite interesting, right before this hearing, I was with a group of lawmakers, and they asked, 'why is Brett Favre testifying before your committee today?" And I said, "to talk about TANF and the abuses in TANF." And that Member of Congress asked me, "what is TANF?" That Member of Congress: "what is TANF?" And I had to explain it was a welfare program that was created in 1996. And so, I imagine that 99 percent of Americans don't know what TANF is. And for them, that statement would ring very true.

And so as this committee considers reforms to the program, can you tell us when you first learned what TANF was, and since going through all of this, the concerns that you have about the program as it exists today?

Mr. FAVRE. Yes. April, maybe May of 2020, I was actually on a golf course with my brother and three other friends, and our phones started going crazy. And people were asking about Shad White, who I had no idea who Shad White was. And said, What did you do to him? You know, he is saying, you know, that you are involved in TANF money.

And I had no idea what TANF was, had never heard of it, and was completely caught off guard by this press conference. And if—not knowing what TANF was, and later finding out that it is welfare money, I returned the money ASAP, no questions asked. And no one from Shad White's office ever came to me prior to this press conference that he held and asked me any details or specifics in regards to my involvement.

So we filed a defamation lawsuit against Shad White, and in that lawsuit, his top chief auditor, in her deposition most recently, said that the truth—finding out the truth was not—quite frankly, was not important. She just wanted to close out her audit. So she didn't do any—you know, I mean, it is unbelievable. But that is when I found out was 2020.

Chairman SMITH. The concerns you have about the program, what are those concerns today?

Mr. FAVRE. Well, I am here because there is, obviously, a problem. First and foremost, I think a big problem is a lot of people don't know what TANF is, never heard of it. So we have to educate people on what TANF is. But we have to implement guardrails and guidelines and be strict on how the money is supposed to be used for a lot of reasons, most importantly, so those families can get the money that they need in situations like myself or people in similar situations who are trying to do good and are caught up in, you know, quite frankly, a mess. This doesn't happen to them.

So, you know, I think we need to educate people, first and foremost, and teach people what TANF is. But the guidelines are very vague, as I understand it, and so how they are used, the TANF funds, you can kind of stress that.

Chairman SMITH. So nonassistance of TANF funds represents nearly 80 percent of all of the TANF programs' spending, a substantial portion of any government program to operate largely outside of any serious guardrails.

Mr. Favre, you have previously shared with me your concern that there seem to be no one doing much of anything to establish the guardrails on TANF spending. This committee is paying attention. We are holding hearings. We are asking questions of federal agencies and looking at what can be done legislatively to put those guardrails in place.

From your experience, where do you see the most maybe glaring of oversight at the state or federal level that allows these welfare funds to be spent in ways that is not helping needy people?

Mr. FAVRE. Well, I lived it. So the auditor—this was all under his watch, this $77 to $100 million allegedly that is misspent, stolen, misappropriated, but he chose not to audit. He didn't act until its governor, Governor Phil Bryant, became the whistleblower. So it has got to start at the heart of it before it starts anywhere else, and the auditor, his job is to audit that TANF money.

Chairman SMITH. Thank you.

Mr. Underhile, your story speaks to some of the work that this committee is trying to do, to support more individuals to overcome adversity and challenging circumstances. And, for example, Representatives Smucker and Wenstrup, they have a bill that allows states to transfer up to 30 percent of TANF to the Workforce Innovation Opportunity Act to support workforce development activities, target toward individuals in poverty.

Based on your experience with a program in Missouri that provides a similar type of services, what would it do for individuals and families and communities across this country were we to give states the opportunity to channel more of their efforts and their TANF nonassistance funds towards proven solutions that help Americans enter into the workforce?

Mr. UNDERHILE. It would be absolutely life-changing, because if you don't teach somebody how to work and how to support themselves, giving them money year after year or month after month ain't going to do anything for them. You are going to hold them where they are at. If you don't teach them anything, they are not growing.

Chairman SMITH. Thank you.

It is a privilege and it is an honor for people in southeast Missouri that you are here to share your story. So thank you for being up here.

Mr. UNDERHILE. Thank you.

Chairman SMITH. I now recognize the ranking member for any questions that he may have.

Mr. NEAL. Thank you, Chairman.

So the Chairman said in his commentary that he spoke to a Member of Congress who didn't know what TANF is? Didn't know what TANF is? It is one of the most important social service support systems that existed in its antecedents from the New Deal. That is how long this goes back.

What is important to acknowledge as well, I know something about the TANF legislation from the 1996 Welfare Reform Act and what happened, the compromises that were reached. Republicans insisted on an end to the entitlement of welfare, and Democrats in the minority in the House, but with a Democratic President, we wanted more childcare, more job training, more transportation assistance, and the compromise was reached in a very divided Congress.

But Mr. Underhile, your testimony today is an indication of why all Members of Congress ought to know something about TANF. Based upon the trampoline effect that I described at the beginning, you were able to remake your history with a partnership between the Federal Government and the state governments who administer TANF. That was part of the Reform Act of 1996.

And specifically to Mr. Dortch, you spent all of these years fighting to direct public dollars to struggling families who fall on hard times, often times because of bad luck and bad choices, but not to miss the relevance of why TANF is important. You have been an advocate for all of these years. You have been positioned to question inappropriate spending, and now you are part of a group that says, "we want that money spent on people who need it, and the money that was intended for that purpose."

The state now is largely responsible for the administration of TANF fundings as we moved it away from the entitlement program here in Washington in 1996. So advocating for an expanded child tax credit, childcare, paid family and medical leave, these are policies that actually have been proven to lift families out of poverty. The child credit alone that we inserted into the rescue package, it cut childhood poverty in America in half.

So let me give you a chance, Mr. Dortch, to talk about the success of those initiatives as you have described them in your testimony.

Mr. DORTCH. Sure. As you mentioned, it cut poverty in half in our State, especially childhood poverty when you consider Black families. You have to remember that Mississippi is a State that pretty much relies on jobs that are service jobs with low wages, so people don't have a consistent amount of money that they know is coming in because there is not industry everywhere in the State.

What the child tax credit did was put more money into the economy. It allowed families to be able to spend on groceries, on necessities, be able to buy things for their children. This money went back into the economy and just didn't stay with that family.

So this doesn't just benefit an individual or family that is in need. It helps the entire State. And Mississippi saw record tax revenue during this period. We saw record income in this period. It wasn't because of any changes in State policy. It was because more people had money, disposable cash, that they could spend on things. And in Mississippi, that is—far too often, people don't have cash to do that. They don't have the means to be able to buy something extra for their family.

Instead, they are very proudful people that always talk about how they can make things stretch. And we are so proud of being able to do that in Mississippi, we forget that we are not getting what we are supposed to be getting in our State. People are proud that they can make things stretch, make payments stretch, make food stretch. You know, we overcome this, and we are proud of it, but it shouldn't be that way.

Mr. NEAL. And just a lesson here—and I don't want to litigate the case that Mr. Favre has alluded to, but I do think based upon the experience that all have had as witnesses here that you might want to consider using this opportunity to make real investments in childhood poverty. It is a stubborn part of American history, childcare, paid leave, child credit. Help us all lift children out of poverty.

Chairman SMITH. Thank you, Ranking Member.

Mr. Smith is recognized.

Mr. SMITH of Nebraska. Thank you, Mr. Chairman. Thank you to our entire panel here and certainly to my colleagues, and many of us have been working on this issue for some time. I really appreciate the efforts that so many are making. I don't want to just say have made, but are making because of the importance of this issue.

I know that the GAO has released a preliminary observation finding 155 unresolved TANF audit findings spanning 35 states in 2023 alone, most of which were found to be severe and outstanding. I would like to submit this for the record.

Chairman SMITH. Without objection.

[The information follows:]

United States Government Accountability Office

Statement for the Record to the Committee on Ways and Means, House of Representatives

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TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Preliminary Observations on State Budget Decisions, Single Audit Findings, and Fraud Risks

Statement for the record by Kathryn A. Larin, Director, Education, Workforce, and Income Security

GAO-24-107798

GAO Highlights

Highlights of GAO-24-107798, a statement for the record to the Committee on Ways and Means, House of Representatives

September 24, 2024

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Preliminary Observations on State Budget Decisions, Single Audit Findings, and Fraud Risks

Why GAO Did This Study

Annually, the federal government provides $16.5 billion to states in TANF block grants. In addition, states collectively spend approximately $15 billion of their own funds. States have increasingly shifted spending from assistance to non-assistance services. Questions have been raised about accountability in the use of TANF funds.

The House Committee on Ways and Means requested GAO review TANF spending and related control practices. This statement is based on GAO's preliminary observations from ongoing work on these topics. This statement describes 1) trends in TANF expenditures over time; 2) the extent of unresolved TANF single audit findings; and 3) how single audit findings can relate to TANF fraud, among other topics.

To conduct the ongoing work on which this statement is based, GAO analyzed state TANF expenditure data from fiscal year 2015 through 2022 (the most current data available), TANF state single audit findings, and adjudicated court cases involving TANF fraud. GAO also reviewed relevant federal laws, regulations, and agency documents.

HHS provided technical comments, which we incorporated as appropriate.

GAO is conducting ongoing work on these and other aspects of TANF and planning to issue related reports in late 2024 and early 2025. GAO will make recommendations in these reports, as warranted.

View GAO-24-107798. For more information, contact Kathryn A. Larin at (202) 512-7215 or larink@gao.gov.

What GAO Found

Each year, states provide millions of low-income individuals and families cash payments and other supports funded by the Temporary Assistance for Needy Families (TANF) block grant. From fiscal years 2015 to 2022, spending on services such as work-related, education, and training activities—known as "non-assistance,"—increased by 7.1 percent. Over the same period spending on "assistance" including cash payments to qualifying low-income families, decreased by 8.5 percent. However, trends in individual states' use of TANF funds may differ from nationwide trends because states have significant discretion in how to use their TANF block grant funds. Nationwide, state spending in fiscal year 2022 on non-assistance ($13.8 billion) exceeded spending on assistance ($7.9 billion).

As part of TANF oversight, independent auditors conduct single audits, and states are required to take corrective action on audit findings as part of their responsibilities as TANF grant recipients. Based on a preliminary review of the most recently available state single audit reports, as of April 30, 2024, GAO identified 155 unresolved TANF findings. (See table.) Auditors reported 50 findings that were "severe," meaning they involved a material weakness, and 89 that were significant deficiencies. A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. Ninety-nine of the 155 findings have repeated for at least 1 year, meaning they were the same as, or substantially similar to, a finding in a previous audit. These single audit findings—especially those categorized as material weaknesses—are considered particularly serious, as they can indicate severe, longstanding, and uncorrected risks and issues in a federal program.

Number of Unresolved Findings in State Temporary Assistance for Needy Families Single Audit Reports, as of April 30, 2024

Report year	Number of states with findings	Number of unresolved findings
2023	35	102
2022	14	48
2021	2	5
Total	51	155

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

GAO identified TANF fraud risks—such as billing fraud—in its preliminary review of repeat single audit findings. For example, audits spanning 7 fiscal years found that a state agency did not require TANF subrecipients to include supporting documentation for reimbursement requests. GAO also identified similar fraud risks in its preliminary review of selected adjudicated court cases. For example, in 2018, a federal court found that some employees of a TANF subrecipient submitted inflated payroll expenses, including for nonexistent personnel, and inflated invoices with false mileage information. They spent the funds on real estate, resort vacations, and cosmetic surgery, among other things.

Chairman Smith, Ranking Member Neal, and Members of the Committee:

I am pleased to submit this statement on our preliminary observations from ongoing work related to the Temporary Assistance for Needy Families (TANF) block grant. Each year, TANF provides millions of low-income individuals and families with children with cash assistance and other services, called "non-assistance," to foster economic security and stability.[1] TANF non-assistance services include work-related, education, and training activities; child care; refundable tax credits; child welfare services; and pre-Kindergarten and Head Start classes.

Annually, the federal government provides about $16.5 billion to states in TANF block grants. In addition, states are required to contribute their own funds, collectively spending approximately $15 billion annually. At the federal level, the U.S. Department of Health and Human Services (HHS) oversees TANF. As we have previously reported, states have increasingly shifted spending from cash assistance to non-assistance services.[2] At the same time, questions have been raised about accountability in how states use TANF funds.

The House Committee on Ways and Means requested that we review TANF spending and related control practices. My statement is based on our preliminary observations from our ongoing work on these topics. The statement describes (1) trends in TANF expenditures on assistance and non-assistance, transfers, and unspent funds over time; (2) the timeliness of state TANF single audit report submissions to the Federal Audit Clearinghouse (FAC); (3) the extent of unresolved TANF single audit findings; (4) how single audit findings can relate to TANF fraud risks; and (5) additional ongoing GAO work on TANF.

To conduct the ongoing work on which this statement is based, we analyzed TANF expenditure data reported by states to HHS from fiscal year 2015 through fiscal year 2022 (the most current data available) to identify the ways in which states used their TANF funds.[3] We assessed

[1]TANF was established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Pub. L. No. 104-193, 110 Stat. 2105.

[2]GAO, *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*, GAO-13-33 (Washington, D.C.: Dec. 6, 2012).

[3]In fiscal year 2015, HHS revised the expenditure categories and accompanying definitions used in TANF financial data collection and changed the accounting method to require states to report actual expenditure totals to offer more insight into how states spend TANF funds.

the reliability of these data by interviewing HHS officials about their processes for collecting and reporting this data and by checking for missing data or obvious errors. On the basis of our assessment, we believe that the data are sufficiently reliable for the purpose of describing trends in TANF expenditures, transfers, and unspent balances. We reviewed HHS's TANF financial expenditure reporting forms and guidance and interviewed HHS officials to determine TANF expenditure reporting categories for this analysis.

We also analyzed single audit reports from the FAC from all 50 states and the District of Columbia that were submitted up to April 30, 2024.[4] We reviewed agency documentation including HHS's *Single Audit Resolution Standard Operating Procedure*. Additionally, we identified examples of TANF fraud risks based on our preliminary review of (1) adjudicated court cases of TANF fraud from January 2015 through March 2024 and (2) single audit reports. We also reviewed relevant federal laws and regulations. HHS provided technical comments on this statement, which we incorporated, as appropriate. We are completing data collection and analysis for our ongoing work on these and other aspects of TANF. We are planning to issue related reports in late 2024 and early 2025 and will make recommendations in these reports, as warranted. The work on which this statement is based is being conducted in accordance with generally accepted government auditing standards.

Background

TANF Purposes

States are generally allowed to spend TANF funds on services rather than cash assistance as long as these services meet at least one of TANF's four purposes: (1) to provide assistance to needy families so that children may be cared for in their own homes or the homes of relatives; (2) to end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) to prevent and reduce

[4]A single audit is an audit of both the entity's financial statements and expenditures of federal awards required for states that meet or exceed a certain expenditure threshold of federal funds each year. *See* 31 U.S.C. § 7502 and 2 C.F.R. § 200.501. The Single Audit Act requires that an independent auditor performs the audits, and they are typically done either by a private firm engaged by the recipient or by a state or local government audit agency. Further, the Single Audit Act requires recipients to upload these reports to the FAC, which is an internet-based repository that stores both the single audit report and related data.

out-of-wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent families.[5]

A state must contribute its own funds—referred to as maintenance-of-effort (MOE) funds—towards TANF purposes as a condition of receiving its full federal award. The MOE requirement for each state is set at 80 percent of the state's spending on TANF's precursor programs in 1994.[6] A state's federal TANF award may be reduced if the state does not meet its MOE requirement or certain other requirements.

TANF Assistance and Non-Assistance Expenditures and Transfers

TANF expenditures generally fall into two categories: assistance and non-assistance.[7]

- **Assistance** includes cash, payments, and vouchers designed to meet a family's ongoing basic needs. Examples of expenditures include monthly cash payments to qualifying low-income families, foster care maintenance payments, and certain subsidies for adoption and guardianship.[8] Assistance expenditures also include expenditures for supportive services, such as child care, provided to families who are not employed. These supportive services are intended to help recipients of assistance participate in the workforce. Under federal statute, only families with children or families with a pregnant individual who are financially needy may receive assistance, for up to 60 months.[9] States and territories have discretion to define certain

[5]42 U.S.C. § 601. Spending intended to meet the first two purposes must be for those in financial need.

[6]To meet the MOE requirement, state expenditures must be at least 80 percent of the state's spending in the Aid to Families with Dependent Children program, Emergency Assistance program, Job Opportunities and Basic Skills Training program, and Aid to Families with Dependent Children related child care programs in fiscal year 1994. States that achieve their work participation standards for the year have a lower requirement, set at 75 percent of this historical state spending.

[7]States are generally required to ensure that TANF expenditures are reasonably calculated to accomplish one of the four purposes of TANF. 42 U.S.C. § 604(a)(1).

[8]45 C.F.R. § 260.31. See also Department of Health and Human Services. *Instructions for Completion of State TANF Financial Report Form, ACF-196*. May 2022. TANF expenditures categorized as assistance include assistance provided on behalf of a child or children for whom a child welfare agency has legal placement and care responsibility and is living with a caretaker relative; or a child or children living with legal guardians. This also includes subsidies to help the relatives or guardians pay for adoption expenses.

[9]42 U.S.C. §§ 601, 608.

eligibility requirements for assistance, including financial neediness, and to set benefit amounts.

- **Non-assistance** expenditures include those for child care for families who are employed, as well as work-related, education, and training activities for individuals and families regardless of employment status. They may also include pre-Kindergarten and Head Start; non-recurrent short-term benefits, such as emergency housing payments; child welfare services; other services for children and youth; and services for prevention of out-of-wedlock pregnancies, fatherhood, and two-parent family formation and maintenance.

In addition to assistance and non-assistance expenditures, states can use TANF funds to pay for administrative expenses incurred in providing TANF benefits and services.[10] Also, states can transfer TANF funds for use under the Child Care and Development Fund (CCDF) to provide child care subsidies for low-income families and under the Social Services Block Grant (SSBG) to provide social services to meet certain needs of individuals residing within each state.[11]

We have previously reported that expenditures for non-assistance services have fewer federal requirements than for assistance.[12] For TANF assistance funds, states are required to provide information and report on their use of TANF funds to HHS through quarterly reports on demographic and economic circumstances and work activities of families receiving assistance. However, no such requirements exist for states' non-assistance services.

When TANF funds are transferred to other programs, these programs' rules and reporting requirements apply to the funds. For example, according to HHS, TANF funds transferred under CCDF are subject to federal child care subsidy program rules, including health and safety requirements. TANF funds transferred under CCDF are also subject to reporting requirements, such as the average subsidy that a family receives and the number of children served. However, HHS has stated

[10]Certain administrative costs may not exceed 15 percent of a state's total expenditures.

[11]States may transfer up to 30 percent of their federal TANF award to CCDF and up to 10 percent of their federal TANF award to SSBG. Combined transfers to these two block grants cannot exceed 30 percent of the state's annual federal TANF grant.

[12]GAO-13-33.

that when states use TANF funds directly on child care, these requirements do not apply.[13]

Federal and State Oversight of TANF

The Office of Family Assistance, within HHS's Administration for Children and Families, oversees and administers TANF. HHS's responsibilities include reviewing state TANF plans, collecting and publishing state expenditure data, monitoring resolution of single audit findings related to TANF, and assessing the risk of TANF fraud.[14]

HHS has indicated its oversight of states' use of TANF funds is constrained by its limited statutory authority. For instance, HHS has said that it does not have the authority to obtain information to estimate or report improper payment amounts for TANF. We previously reported that HHS has not developed and reported an improper payment estimate for TANF, although agencies are required to report improper payment estimates for those programs that they have identified as risk susceptible.[15] Reliable estimates are helpful to understand and address financial vulnerabilities and the root causes of improper payments. In April 2022, we recommended that Congress consider providing HHS the authority to require states to report the data the agency needs to estimate and report on improper payments for TANF. As of September 2024, Congress has not acted on this recommendation. HHS has previously requested such authority in its budget proposals, including most recently for fiscal year 2025.

In October 2023, HHS issued a Notice of Proposed Rulemaking intended, in part, to address the misuse of TANF funds.[16] According to HHS, states are spending TANF and MOE funds on a wide range of benefits and services, including some with "tenuous connections" to a TANF purpose and, in some instances, providing supports for families with incomes up to

[13] 88 Fed. Reg. 67,697 (Oct. 2, 2023).

[14] The Social Security Act limits HHS's authority to collect TANF data from states. Generally, the agency can only collect certain financial and other data in accordance with section 411 of the act; otherwise, section 417 of the act generally prohibits the agency from collecting any additional information from states.

[15] 31 U.S.C. § 3352. The Payment Integrity Information Act of 2019 defines improper payments as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments). Pub. L. No. 116-117, § 2, 134 Stat. 113 (2020); GAO, *COVID-19: Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments,* GAO-22-105397 (Washington, D.C.: April 27, 2022).

[16] 88 Fed. Reg. 67,697 (Oct. 2, 2023).

400 percent of the federal poverty guidelines. HHS's proposed rule seeks to define what "needy" means in terms of income and to clarify when an expenditure is "reasonably calculated to accomplish a TANF purpose." These changes would also establish criteria for assessing the allowable use of funds.

In addition to federal oversight, states are expected to provide their own oversight for TANF assistance and non-assistance expenditures through their single audits. According to the Single Audit Act and the Office of Management and Budget's (OMB) implementing guidance, subpart F of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), states that meet or exceed a certain expenditure threshold of federal funds each year must undergo a single audit and submit the information to the FAC within a designated timeframe.[17] A single audit can identify deficiencies, or audit findings, in the award recipient's financial reporting and related controls, including their compliance with certain provisions of laws, regulations, contracts, or grant agreements that have a direct and material effect on each of its major federal award programs, as well as the recipient's internal controls over compliance for such programs.

OMB's guidance requires HHS, the federal awarding agency of TANF funds to, among other things, ensure that single audits are completed and reports are received in a timely manner. Reports on single audit findings can also help federal agencies, such as HHS, identify fraud risks.

[17]The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing OMB guidance is reprinted in 2 C.F.R. part 200, subpart F. In April 2024, OMB issued revisions to 2 C.F.R. § 200.501, raising the annual threshold of expenditures triggering a single audit or program-specific audit from $750,000 to $1 million, effective October 1, 2024. 89 Fed. Reg. 30,046 (Apr. 22, 2024).

According to OMB's guidance, the audit must be completed and submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or 9 months after the end of the audit period (unless a different period is specified in an audit guide for a program-specific audit). If the due date falls on a weekend, or a federal holiday, then the reporting package is due the next business day. 2 C.F.R. §§ 200.507(c)(1), 200.512(a)(1).

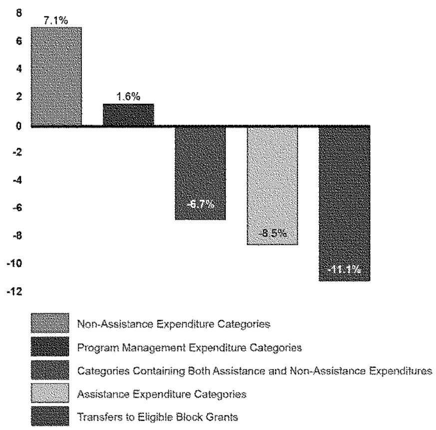
Spending on TANF Expenditure Categories, Transfers, and Unspent Funds Varied Over Time

Spending on Non-assistance Increased from Fiscal Years 2015 to 2022

Spending on non-assistance, and to a lesser extent, program management, increased from fiscal years 2015 to 2022. At the same time, spending on assistance and categories that include both assistance and non-assistance decreased, as did transfers to other grants (see fig. 1).[18]

[18]As previously noted, in fiscal year 2015 HHS revised the expenditure categories and accompanying definitions used in TANF financial data collection and changed the accounting method to require states to report actual expenditure totals to offer more insight into how states spend TANF funds. The most recent fiscal year with available data is 2022.

Figure 1: Percent Change in Temporary Assistance for Needy Families (TANF) Expenditures and Transfers by Category, Fiscal Years 2015-2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Note: Expenditures include spending from federal TANF funds and state maintenance of effort funds.

However, trends in individual states' use of TANF funds may differ from nationwide trends because states have significant discretion in how to use their TANF block grant funds. For example, from fiscal years 2015 to 2022, non-assistance spending increased in 22 states and the District of Columbia and decreased in 28 states. Over the same period, assistance spending increased in 12 states and the District of Columbia and decreased in 38 states.

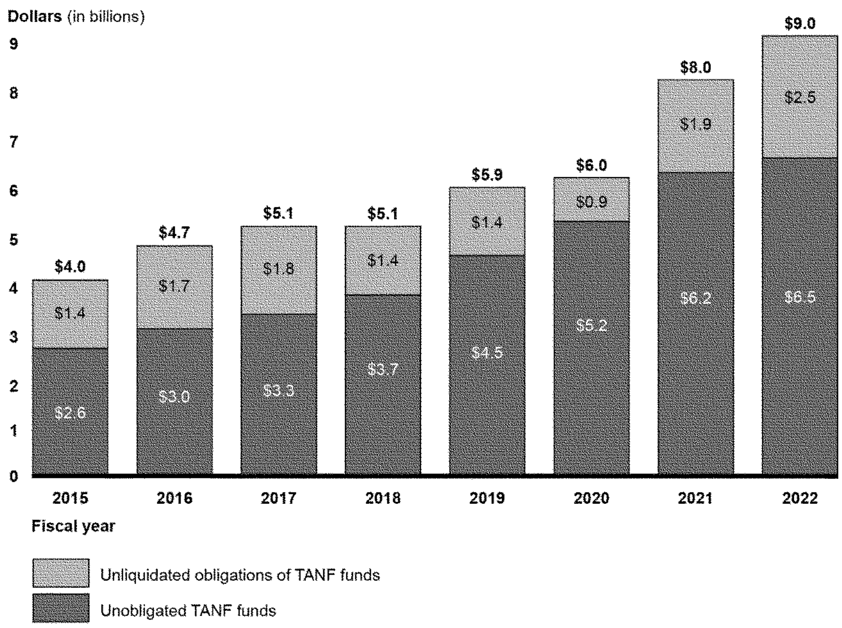
TANF Unspent Balances Increased from Fiscal Years 2015 to 2022

States can carry over federal TANF funds not spent in a given fiscal year indefinitely to use in future fiscal years.[19] From fiscal years 2015 to 2022, the total TANF funding states carried over as unspent funds more than doubled, from $4 billion to $9 billion, as shown in figure 2.[20] This increase is the result of states, overall, spending less of their TANF funds during that period. In fiscal year 2022, 45 states and the District of Columbia had an unspent balance.

[19]Under HHS regulations the states use two categories to report on the status of their unspent TANF funds: (1) unobligated balances, which represent funds not yet committed for a specific expenditure by a state; and (2) unliquidated obligations, which represent funds states have committed but not yet spent.

[20]Federal annual TANF funds do not expire, and states can carry them over indefinitely for use in future fiscal years.

Figure 2: Temporary Assistance for Needy Families (TANF) Total Unspent Balances by All States, Fiscal Years 2015-2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

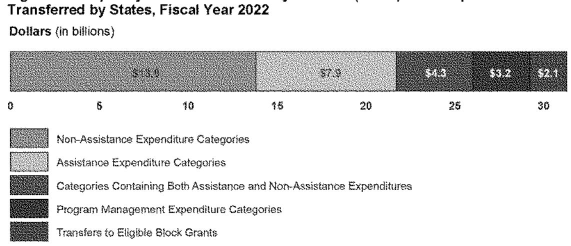
Note: The sum of unobligated TANF funds and unliquidated obligations of TANF funds in the figure may not equal total unspent funds due to rounding

Expenditures in Non-assistance Spending Categories Exceeded Those in Assistance Categories in Fiscal Year 2022

States spent or transferred $31.3 billion of federal TANF and state MOE funds in fiscal year 2022, according to our analysis of Administration for Children and Families TANF expenditure data.[21] States spent a total of $13.8 billion on non-assistance expenditures (44.2 percent of total expenditures and transfers), $7.9 billion on assistance expenditures (25.2 percent), and $4.3 billion on expenditures in categories that contain both assistance and non-assistance (13.6 percent).[22]

In fiscal year 2022, 41 states and the District of Columbia transferred funds to the CCDF, SSBG, or both, according to our analysis. In total, states transferred $2.1 billion to these block grants (6.7 percent) (see fig. 3). States also spent $3.2 billion on program management (10.4 percent).

Figure 3: Temporary Assistance for Needy Families (TANF) Funds Spent or Transferred by States, Fiscal Year 2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Note: States report federal TANF and state maintenance of effort financial data on Department of Health and Human Services (HHS) Form ACF-196R. Expenditures include spending from federal TANF funds and state maintenance of effort. Eligible block grants are the Child Care and Development Fund and the Social Services Block Grant.

In our ongoing review of state TANF budget decisions, we are examining how selected states budget and allocate TANF funds. In addition, we are examining the extent to which selected states count eligible expenditures made by nongovernmental third parties toward their MOE spending requirements and their policies for these expenditures. This work will also

[21]States report expenditures to HHS by category on Form ACF-196R.

[22]Two categories used for state expenditure reporting to HHS in the Form ACF-196R—Child Care and Work Supports—contain expenditures for services that could be considered assistance or non-assistance, depending on the population served.

describe the processes selected states have in place to ensure spending on non-assistance services meets TANF's statutory purposes and ensure accuracy of reporting to HHS. Further, it will review processes the Administration for Children and Families has in place to ensure the accuracy of reporting to assist in oversight of TANF.

Nineteen States Did Not Submit Timely TANF Single Audit Reports to the Federal Audit Clearinghouse

Based on our preliminary review of fiscal year 2023 single audit reports for the 50 states and the District of Columbia, we found that 19 states did not submit their reports to the FAC by their due date (see table 1).[23] In our ongoing work, we will examine how HHS monitors the timeliness of single audit report submissions.

Table 1: Timeliness of Required Fiscal Year 2023 Temporary Assistance for Needy Families Single Audit Report Submissions to the Federal Audit Clearinghouse

State single audit reports, Fiscal Year 2023	Number of states
Submitted by due date	32
Not submitted by due date	19

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

Single Audit Reports Indicate 155 Unresolved TANF Single Audit Findings, Most of Which Are Severe and Longstanding

Based on our preliminary review of the most recently available state single audit reports, as of April 30, 2024, we identified 155 unresolved TANF findings (see table 2).[24] An auditor's single audit TANF findings do not distinguish between program expenditure categories, including cash assistance and non-assistance expenditures.

[23] The scope of our review of single audit findings includes all 50 states and the District of Columbia. The Single Audit Act defines a "state" to also include the District of Columbia. 31 U.S.C. § 7501(19). Consistent with the act and for brevity, we will use the term "states" throughout this document to include the District of Columbia.

[24] We define unresolved findings as those that have not been corrected or are partially corrected.

Table 2: Number of Unresolved Findings in State Temporary Assistance for Needy Families Single Audit Reports, as of April 30, 2024

Year of single audit report	Total number of states with findings	Total number of unresolved findings
2023[a]	35	102
2022	14	48
2021	2	5
Total	51	155

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

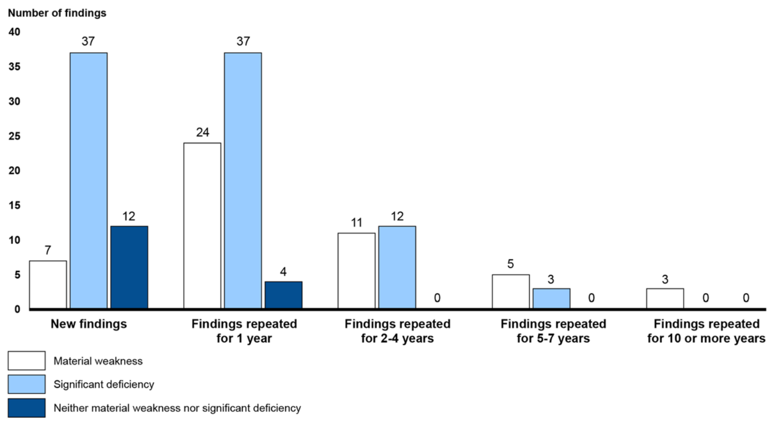
[a]Five states submitted their fiscal year 2023 single audit reports after their Federal Audit Clearinghouse due date but before our audit cutoff date of April 30, 2024. As a result, we included the single audit findings from these reports in our analysis.

Auditors reported 50 findings that were "severe," meaning they involved a material weakness, and 89 that were significant deficiencies.[25] Ninety-nine of the 155 findings have repeated for at least 1 year (see fig. 4).[26] For example, one state has had the same internal control deficiency finding reported for 15 years. This deficiency could lead to the state making payments to ineligible applicants, for an incorrect amount, or for an incorrect length of time. These single audit findings—especially those categorized as material weaknesses—are considered particularly serious, as they can indicate severe, longstanding, and uncorrected risks and issues in a federal program.

[25]A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

[26]A repeat finding is one that is the same as, or substantially similar to, a finding in a previous audit.

Figure 4: Unresolved Temporary Assistance for Needy Families Single Audit Findings by Years Repeated for Available Audit Reports, as of April 30, 2024



Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

Note: A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Federal agencies are required to follow up on single audit findings to ensure that award recipients take corrective action to resolve audit findings, such as questioned costs, which may include payments the awarding agency determines to be improper.[27] We found that 31 of the

[27] As defined in the OMB guidance applicable during our audit period, a questioned cost is an expenditure that an auditor questions because of an audit finding (1) that resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the expenditure, at the time of the audit, is not supported by adequate documentation; or (3) where the expenditure appears unreasonable and does not reflect the actions a prudent person would take in the circumstances. Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C. 2 C.F.R. § 200.1. There are pending revisions to this definition, to be effective October 1, 2024. 89 Fed. Reg. 30,046 (Apr. 22, 2024).

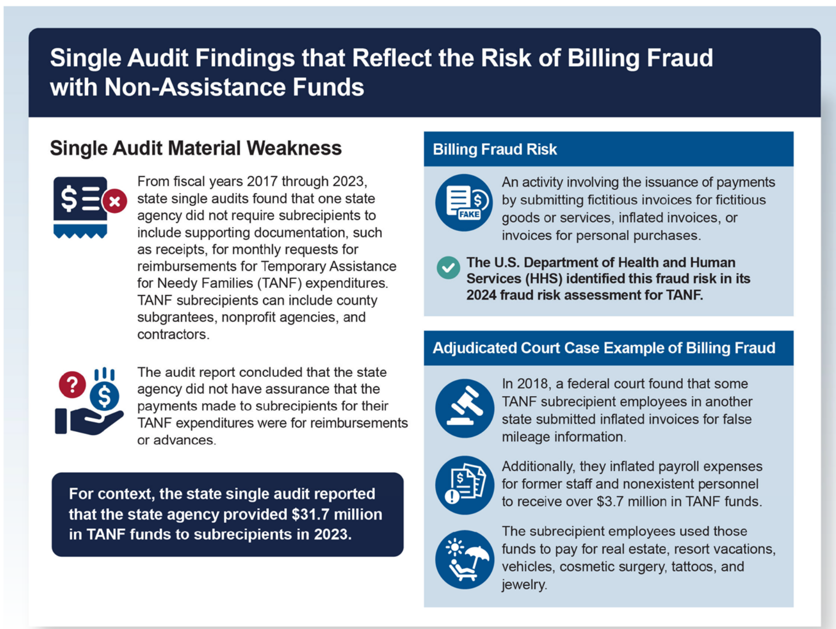
155 unresolved TANF findings involve questioned costs. The largest of these involved over $107 million and has repeated for 2 years. In our ongoing work, we will examine how HHS follows up on unresolved TANF single audit findings.

State Single Audit Findings Can Indicate Areas of TANF Fraud Risk

Since single audits are an important oversight tool for ensuring that a federal award recipient has adequate internal controls in place, findings from these audits can indicate areas of fraud risk in TANF.[28] Figures 5 and 6 present examples identified in our preliminary review of (1) repeat TANF single audit findings categorized as material weaknesses, (2) related TANF fraud risks, and (3) relevant adjudicated court cases of fraud involving TANF funds.

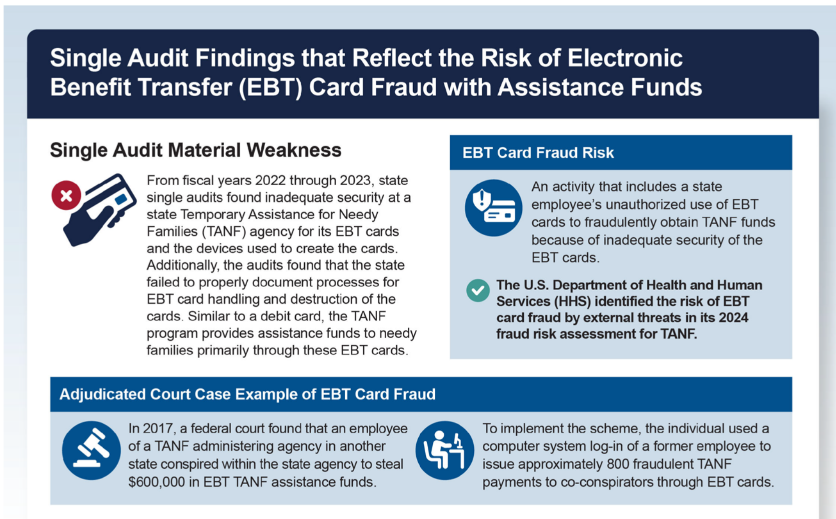
[28]Fraud and fraud risk are distinct concepts. Fraud involves obtaining a thing of value through willful misrepresentation. This is characterized by making material false statements of fact based on actual knowledge, deliberate ignorance, or reckless disregard of falsity. A fraud risk exists when individuals have an opportunity to engage in fraudulent activity. The existence of fraud risks does not necessarily indicate that fraud exists or will occur. However, fraud risks are often present when fraud does occur.

Figure 5: Example of Single Audit Findings That Reflect the Risk of Billing Fraud with Non-assistance Funds



Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

Figure 6: Example of Single Audit Findings That Reflect the Risk of Electronic Benefit Transfer (EBT) Card Fraud with Assistance Funds



Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

In January 2021, the Council of the Inspectors General on Integrity and Efficiency reported that grant programs—such as TANF—faced an increased risk of fraud, waste, and mismanagement because of limited visibility and control over expenditures at the award recipient and subrecipient levels.[29] Further, a number of court cases reveal opportunities to misuse or divert millions of dollars in TANF assistance and non-assistance funding.

[29]Council of the Inspectors General on Integrity and Efficiency, *The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse* (Jan. 2021). TANF subrecipients can include county subgrantees, nonprofit agencies, and contractors.

In 2015, we issued *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework) to help federal programs, like TANF, combat fraud.[30] The Fraud Risk Framework includes a comprehensive set of leading practices that serve as a guide for program managers to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner.[31] The objective of fraud risk management is to facilitate the program's mission and strategic goals by ensuring that taxpayer dollars and government services serve their intended purposes.

In our ongoing work, we will assess the extent to which HHS's efforts to manage fraud risks align with the Fraud Risk Framework. This includes, for example, reviewing HHS's first fraud risk assessment of TANF conducted in the agency's Fraud Risk Assessment Portal, which was completed in July 2024.[32] Fraud risk assessments prepared in alignment with leading practices provide program managers with insights into the likelihood and impact of fraud schemes and the basis for implementing an antifraud strategy with appropriate controls.

Ongoing Work Examines How States Use Data on Non-assistance Funds and States' Use of TANF for Child Welfare

In addition to the areas of ongoing work discussed above, we are also reviewing other aspects of TANF:

- One review examines TANF non-assistance data that selected states collect and use. Specifically, we will address how selected states use non-assistance funds, what data are available on participant characteristics and outcomes, and how selected states use such data to assess program performance. In addition, this work will examine challenges these states face in collecting and using these data and the extent to which HHS has provided support to address those

[30]GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 2015).

[31]As required under the Fraud Reduction and Data Analytics Act of 2015 and its successor provisions in the Payment Integrity Information Act of 2019, the leading practices in GAO's Fraud Risk Framework are incorporated into the Office of Management and Budget's (OMB) guidelines for agency controls. 31 U.S.C. § 3357(b). Specifically, OMB's Circular No. A-123, issued in 2016, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB M-16-17), directs executive agencies, including HHS, to adhere to the Fraud Risk Framework's leading practices as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks. OMB, *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Memorandum M-16-17 (Washington, D.C.: July 2016).

[32]According to HHS, the Fraud Risk Assessment Portal methodology was designed to support streamlined, structured, and repeatable fraud risk assessment processes that can accommodate HHS's programs and generate actionable information for managers.

challenges. To this end, we conducted site visits in eight states in which we interviewed officials from agencies that received TANF funds, such as state and local departments of health and human services, workforce, and education, as well as other entities, such as nonprofit organizations that provide services to low-income individuals and families. We are analyzing selected TANF expenditure data. We are also interviewing HHS officials about technical assistance they provide to states and the agency's efforts to facilitate information-sharing among states regarding non-assistance data.

- A second review examines how states use TANF funds as payments to foster and adoptive families and child welfare services, including transfers from TANF to the SSBG for these purposes. We will compare how states have used TANF funds to how they have used funds from Title IV-B and Title IV-E of the Social Security Act, which are the two largest sources of federal child welfare funding. To do this work, we will analyze TANF, SSBG, Title IV-B, and Title IV-E expenditure data that all states report to HHS. We will also interview TANF and child welfare agency staff in five selected states. Finally, we will interview HHS officials and researchers knowledgeable about TANF and child welfare financing.

Chairman Smith, Ranking Member Neal, and Members of the Committee, this concludes my statement for the record.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Kathryn A. Larin, Director, Education, Workforce, and Income Security, at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement are Kristen Jones (Assistant Director), Jay Palmer (Analyst in Charge), Jeff Arkin, Seto Bagdoyan, Mike Bechetti, Charlotte Cable, James Dalkin, Melanie Darnell, Andrea Dawson, Alexandra Edwards, Gabrielle Fagan, Colin Fallon, Isaac Fifelski, Lisa Fisher, Teressa Gardner, Jackson Gode, James Healy, Gina Hoover, Vivian Ly, Kim Maire, Flavio Martinez, Maria McMullen, James Murphy, Keith O'Brien, Catherine Paxton, Michelle Philpott, Will Stupski, Amy Sweet, Cherry Vasquez, Mackenzie Verniero, and Mercedes Wilson-Barthes.

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Mr. SMITH of Nebraska. Thank you.

When we talk about temporary assistance for needy families, I like to point out to anyone who will listen that these funds are intended for the neediest among us, and that we want to make a difference, that these taxpayer dollars that come from all over the country, obviously, are intended to help lift people out of poverty.

So when I hear and read about various things, I am concerned. I think, Mr. Dortch, you mentioned—I think it was your comments that included that someone said that we don't track the outcomes. That is tragic in and of itself. I think it is important that the federal government not become overly prescriptive of various state governments. We need to have the expectation that positive things are happening. And I realize that we want to encourage creativity among the states, but, wow, the creativity that we have seen, whether it is in Mississippi or elsewhere—like I said, there are many states that have gotten I think a little too clever, but the efforts to cap benefits—beneficiaries, I should say, at 200 percent federal poverty and below, I know the administration is looking at creating a rule as such. I have been working on this legislatively for some time, and I would certainly invite colleagues to join in this effort because I think it really helps. It is not the full answer, but it helps target the funds to folks who need it the most.

But, Mr. Favre, I have a few questions here. When you were initially approached at helping promote various efforts, where was it characterized these funds were coming from?

Mr. FAVRE. Well, my understanding was it was grants, that this particular lady had been writing grants for 35 years in the state, and the university introduced me to her and her nonprofit. Surprisingly, she was actually a Southern Miss grad and was on the athletic board, but I had never met her before. So again, as I said earlier, never was TANF or welfare funds mentioned in any conversation.

Mr. SMITH of Nebraska. Were public funds mentioned, or was it your understanding that they were private funds from a wealthy individual or some source?

Mr. FAVRE. I don't recall. I just remember grant money.

Mr. SMITH of Nebraska. Okay. All right. Thank you.

Well, I think that your presence here today is helpful so that we can work together to prevent similar situations from happening, but I am just extremely concerned at the lack of expectations that currently exist that these taxpayer dollars intended for the neediest among us are not helping the people that they are intended to help.

Mr. Adolphsen, could you speak a little bit to how maybe limiting the beneficiaries to 200 percent of federal poverty and below could help us in our effort?

Mr. ADOLPHSEN. Sure. Representative, thank you for the question.

And just to go back to your last question, you know, one of the issues with TANF is that there is state-required maintenance of effort, MOE, that in 1996, Congress said, "hey, we are going to give you this block grant, but you are also going to have to keep spending money on the truly needy. We are going to make sure you keep helping."

Well, right now MOE can also be accrued at the state level through nongovernment spending, through some private nonprofits, which is just a confusing, unclear, and unnecessary way to do that MOE process. So I just wanted to mention that lack of transparency on that front. It kind of undermines what the MOE does.

I think keeping eligibility for noncash assistance side under some threshold, if 200 percent of federal poverty, that is a good benchmark. But you look at the Food Stamp Program, 185 percent is often the upper limit, Medicaid is 133 percent of the federal poverty level, so all—you know, anything in that range would make sure that those funds that are outside of cash loaded onto an EBT card, anything that is funding a program, a service, another part of government is going to the poorest, those in poverty in the state, I think would be very helpful.

Mr. SMITH of Nebraska. Okay. Thank you.

I yield back.

Chairman SMITH. Thank you.

Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman. Thank you for having the hearing. Thank you to all of the witnesses.

I really want to shout out to Mr. Underhile, thank you for coming and congratulation on the success that you have experienced, and thank you for acknowledging the fact that it was the help that you got that got you back on your feet. I appreciate that very much. And hopefully, today isn't an exercise in yelling fire, but doing nothing to put it out.

Mr. Neal talked about the history of the 1996 federal legislation that brought us to where we are today. I wasn't here when that was done, but I was in the California State Senate, and I wrote the California Welfare Reform Act that was necessitated by the 1996 federal legislation, and I know that what we did in California was helpful.

There are many Mr. Underhiles in California as a result of that work, and I think we should be focusing on how we bring about more success. I believe that we should be holding a markup on policies to bring families out of poverty, like reauthorizing TANF with increased oversight, the enhanced child tax credit, which we have heard from a couple of people today, actually cut childhood poverty in half, something that is important in every state across the nation, and the Earned Income Tax Credit.

However, there has been little in the work done to do this working together that we should be doing. This seems to be typical playbook stuff, creating a problem and then talking about how we fix it. We have just seen this most recently in regard to the SALT discussions that are taking place in this presidential election.

So we need to be coming together, and Democrats are willing to work with our Republican colleagues to strengthen TANF and provide the necessary safeguards that will prevent misuse. We should be doing it throughout the entire session, not with two days left in the legislative session. This is a program that is important enough that we should be devoting ample time to make it as great as it can be.

Mr. Dortch, I have a question for you. If Republicans choose to work with Democrats to reauthorize TANF, what can we do to ensure that the federal government has adequate oversight of how states use these dollars?

Mr. DORTCH. Sure. There has to be some mechanism to allow the Federal Government to punish these States. Mississippi did this 5 years ago, and nothing has happened. There haven't been any penalties that have come down for this misspending. The State legislature has shown no interest in doing anything about it. As I mentioned about the rules as far as—or any rules on looking into how these programs work, that is the current MDHS director. Even after all of the scandal, they are giving us grants to organizations and not asking them to show what it is going to.

Mr. THOMPSON. If I could interrupt you, I recognize that, and in your statement, you have explained that well. And that is all part of the fact that we block granted these programs, sent them back to the states and said, "do what you want to do to make—you know, to respond to this very real and very important issue that we all want to address."

So my question is what can Congress do to ensure that the states take that block grant and do what they are supposed to do with it?

Mr. DORTCH. Yeah. I think one thing you could definitely do is stop States from being able to manipulate these broad spending categories. There needs to be tighter rules on what is actually going out. If we are doing job assistance, what does that look like? If you are having people get transportation services, what does that look like? That is information that we can't find out from our Department of Health and Human Services.

So when they use these big—the broad terms or broad categories, they even put scholarships to folks that are making up to 350 percent of poverty level under the term of workforce development, and that was the bulk of that money. So you don't even really know what that money is going towards because the categories are so broad.

Mr. THOMPSON. Thank you very much.

I yield back, Mr. Chairman.

Chairman SMITH. Thank you.

Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman.

Thank you all for being here today.

Mr. Underhile, I am really impressed with what you have been able to do. In our family, we have a situation very much like that, and it has been since my son was 14 years old—he is now 42 years old—program after program after program after program. How were you able to get through all of that? Because I think that, look, the rate of recidivism is like 97 percent. So you come out of that deal, and I have people tell me all the time—and we have a family business—what you need to do is you need to hire those folks. And I said, "that is fine. There is a little thing called liability that makes it impossible to do that."

What you have done is incredible. You were able to turn your life around, so I have got to think between you and your wife, all of a sudden you had this awakening and this idea that there is more to life than what I am doing now. I am wasting whatever the Lord has given me. I need to make the most out of it. But what you are doing is, you are working within the system itself. It is getting into the private sector that is really difficult.

So from all of you, I mean, all of these programs start out well-intended.

Mr. Favre, what you have gone through is incredible because you don't know what you don't know. And because it is so broad, and there is so few guardrails on it, Mr. Dortch, I listen to you, and so who would a person go to to find out, "am I working within the framework of this? Am I working toward a desired outcome of this?"

And listen, we have to do these things. There is no question about that. The question on it is, what is the return on that taxpayer dollar to the country?

And, Mr. Underhile, I am telling you, you have done an amazing job.

Mr. UNDERHILE. Thank you.

Mr. KELLY. You have done an amazing job. But, again, I get back to that liability thing, and I have been trying to work with one of our colleagues across the aisle because she has a problem with her son. If we can't find a way to take the curse off of employing somebody, I think it is foolish to tell somebody, "listen, you just have to get up, get going, get yourself a job, and get out there and work every day." It is not easy to do. It is not easy to do.

Mr. Favre, you did what you thought was right, and you are penalized because you were doing something that you thought was right, but somebody said, "no, that is outside the bounds." Say, really? Where's the rule book? Tell me.

Mr. Dortch, you work with it every day.

It is not the amount of money we spend. It is the amount of money we waste. And I just can't understand how we can have a program this big so well-intended and structured, but not enough guardrails on it to tell people, "hey, this is where you have to stay within." I watch too many programs like that. It is not that the American people don't want to invest. The trouble is with the money that gets invested that gets used differently. And a lot of it is because nobody guides you. Nobody counsels you along the way.

So I appreciate you all being here. I can't imagine what it is like to go through that. I do know what you are going through, Mr. Underhile. I do know what you are going through because I have watched it now for 28 years and keep thinking that maybe the next time, maybe the next time, maybe the next time. So way to stick to it, way to get with it. Your wife must be an incredible person.

Mr. UNDERHILE. Yes.

Mr. KELLY. You have, what, seven children?

Mr. UNDERHILE. Yes, all together.

Mr. KELLY. Good Lord. We only have five, and I don't know how we afford that. So, listen, thank you for what you are doing.

Mr. Dortch, if you could keep us in line and let us know what it is that we need to do. What is it that we are not doing? It is not a matter of not allocating money. It is putting into place what it should be used for and counseling people and saying, "well, no, this is not intended to be this way." But once it goes to the state, it is in their hands.

So I want to thank you all for being here.

Mr. Favre, for you to step out of where you have been your whole life, people start to understand this can happen to anybody. If it can happen to Brett Favre, it can happen to anybody. And this is where we like to think that somehow that the system is fair. I would like to think it is, after too many times of looking at where it is not. And it is a lot of times because of a misconception. But thank you all again for appearing.

Mr. Adolphsen, thank you for being here today.

It is a huge opportunity for the United States to get itself back on keel; right. So thank you so much.

I yield back.

Chairman SMITH. Thank you.

Mr. Larson.

Mr. LARSON. Thank you, Mr. Chairman.

Mr. Chairman, before I begin, I would like to yield time to Mr. Neal.

Mr. NEAL. Mr. Chairman, I have a series of letters that have come from Congressman Bennie Thompson of Mississippi that he would like to have inserted into the record.

Chairman SMITH. Without objection.[The information follows:]

BENNIE G. THOMPSON
SECOND DISTRICT, MISSISSIPPI

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RANKING MEMBER

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CONGRESSIONAL HBCU CAUCUS

September 23, 2024

The Honorable Richard E. Neal
Ranking Member
U.S. House Committee on Ways and Means
Washington, DC 20515

Dear Ranking Member Neal:

I request that the following exhibits be entered into the hearing record. The Mississippi fiasco is a prime example of how not to spend TANF money. According to the Mississippi Office of the State Auditor, the state played fast and loose with TANF funds, blatantly disregarding congressional intent. Many of those who benefited from this misappropriation have yet to be held accountable for their actions. I have written letters to both the Department of Health and Human Services and the Department of Justice urging them to investigate this matter and ensure those responsible are held accountable.

Sincerely,

Bennie G. Thompson
Member of Congress

Enclosures:
1. Mississippi's TANF Administrative Barriers – July 9, 2019
2. Formal Complaint Misuse of TANF Funding by the Mississippi Department of Human Services (MDHS) – April 11, 2020
3. Second Formal Complaint – Audit of TANF Funding by MDHS – May 11, 2020
4. Third Formal Complaint – MDHS Misuse of TANF Funds – May 19, 2020
5. No Response to MDHS Complaint Letters – June 12, 2020
6. MDHS Complaint – Brett Favre's Role in TANF Scheme – April 28, 2021
7. Fourth Complaint – Fmr. Governor Phil Bryant's Role in MDHS Misuse of TANF Funds – April 26, 2022
8. Fifth Complaint –MDHS Misuse of TANF Funds – June 28, 2022

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9. Federal Investigation into Fmr. Governor Phil Bryant's Embezzlement of TANF Funds (HHS) – July 15, 2022
10. Federal Investigation into Fmr. Governor Phil Bryant's Embezzlement of TANF Funds (DOJ) – July 15, 2022

BENNIE G. THOMPSON
SECOND DISTRICT, MISSISSIPPI

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July 9, 2019

Sarah Arbes
Acting Assistant Secretary for Legislation
U.S. Department of Health and Human Services
200 Independence Ave, SW
Washington, D.C. 20201

RE: Mississippi's TANF Administrative Barriers

Dear Assistant Secretary Arbes:

I am writing to you to express my grave concerns regarding the series of Temporary Assistance for Needy Families (TANF) administrative barriers that hamper the utilization of the program. In recent years there has been a decrease in the number of Mississippi families assisted under Temporary Assistance for Needy Families (TANF) and the Child Care and Development Block Grant (CCDBG).

As it applies to Mississippi, the following areas are of great concern: Mississippi Department of Human Services (MDHS) is effectively rejecting every TANF applicant, MDHS is refusing million in anti-poverty funds, civil rights violations in the state's child care program, and MDHS has used its discretion to provide millions to third party contractors and individuals living well beyond the poverty line.

Although states are offered a great deal of flexibility in how they administer these programs, Mississippi has provided little to no explanation for its administrative choices.

I ask that you investigate and strongly examine Mississippi's recent program and budgetary decisions under TANF and CCDBG.

If you have any questions or concerns, please contact Ty James in my office at (202) 225-5876.

Sincerely,

Bennie G. Thompson

Bennie G. Thompson
Member of Congress

BENNIE G. THOMPSON
SECOND DISTRICT, MISSISSIPPI

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April 11, 2020

The Honorable Alex Azar
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Formal Complaint - Misuse of TANF Funding by the Mississippi Department of Human Services

Dear Mr. Azar:

I am writing to express my grave concerns surrounding the recent embezzlement scheme regarding the spending of funds allocated for the Temporary Assistant for Needy Families (TANF) program in Mississippi. After years of suspicion on how TANF dollars were being spent, the misappropriation of funding meant for needy families in the state has finally been exposed. As Congressman for the second congressional district of M ississippi, it is devastating to know that thousands of intended recipients, mainly in my district, are suffering at the hands of a selfish few. This matter is beyond the bounds of troubling, which has led to my submission of this letter as a formal complaint on behalf of the citizens impacted against the Mississippi Department of Human Services.

On July 9, 2019, I wrote a letter to your office e xpressing my concern for the decrease in the number of Mississippi families assisted under Temporary Assistance for Needy Families (TANF) and the Child Care and Development Block Grant (CCDBG). During that time, it was brought to my attention that: the Mississippi Department of Human Services (MDHS) effectively rejected every TANF applicant, MDHS refused millions of dollars in anti-poverty funds, there were civil rights violations in the state's child care program, and MDHS used its discretion to providemillions to third party contractors and individuals living well beyond the poverty line.

In response, the Administration for Children and Families wrote a letter to my office which claimed they:

> "*looked further into Mississippi's TANF application approval data from 2011 and 2015* ", they further stated "*we believe that the state had likely been under-reporting approvals, as the numbers are anomalous with other related data reported to the ACF's Office of Family Assistance (OFA)*". The response also states that: " *ACF has reached out a number of states with unobligated TANF balances, including Mississippi, to encourage the use of TANF funds to help vulnerable individuals enter and move up in the labor market*".

A report published in 2017 showed more than 11,000 Mississippians applied for TANF. But only 167 were approved. And providers were complaining about the massive TANF wait list even long before that.[1] Out of $135 million in 2018, Mississippi spent just five percent or $7.3 million on direct assistance to poor families.[2]

Rather than serving TANF eligible persons, the state of Mississippi played a shell game of the appearance of a TANF eligible person by circumventing the congressional intent of what TANF funds should be spent for. The actions of these individuals who were relied upon to help the citizens of Mississippi, have in turn worsened the conditions of people who were intended to be helped.

In January, Mississippi's former head of the Mississippi Department of Human Services, John Davis, four colleagues and a former pro wrestler have been charged with carrying out a multimillion-dollar embezzlement scheme to siphon public money for their own personal use.[3] The six are accused of working together to misappropriate funds and falsify records, and they are now under indictment for a range of charges related to fraud and embezzlement.[4] The Mississippi Community Education Center, a non-profit owned by Nancy New who was included in the group of the indicted, with taxpayer money intended to help people out of poverty, provided most of the funding for a volleyball center through an upfront five-year sublease agreement with the University of Southern Mississippi's athletic foundation.

Unfortunately, I am once again filing yet another complaint to address the misuse of funding intended for the betterment of the underprivileged citizens in the state. These individuals took millions in welfare dollars and seemed to fund anything but assistance to the poor, in which that funding was intended to benefit. These shameful actions by people who were placed in positions to supposedly help has turned into one of the biggest fraud schemes in our state.

This mismanagement of funds to help those in need in the state is despicable and unacceptable. I ask that your office investigate the matter outlined above. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

[1] Courtney Ann Johnson, *Mississippi Embezzlement Scheme: Red Flags Raised on TANF Spending for Years* https://www.wlox.com/2020/02/07/mississippi-embezzlement-scheme-red-flags-raised-tanf-spending-years/ (2020).
[2] Anna Wolfe, *Why Did a Welfare Organization Pay $5 million to Build a Volleyball Stadium?*, https://mississippitoday.org/2020/02/27/welfare-program-paid-5-million-for-new-volleyball-center/ (2020).
[3] Bill Chappell, *Mississippi's Ex-Welfare Director, 5 Others Arrested Over 'Massive' Fraud*, https://www.npr.org/2020/02/06/803399172/mississippis-ex-welfare-director-5-others-arrested-in-massive-fraud (2020).

[4] *Id.*

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May 11, 2020

The Honorable Alex Azar, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Second Formal Complaint – Audit of Temporary Assistance for Needy Families (TANF) Funding by the Mississippi Department of Human Services

Dear Mr. Azar:

I am writing to you in response to a recent audit of the Mississippi Department of Human Services that revealed how federal welfare grant funds were spent illegally. As referenced in my previous complaint letter to your office, I explained my concerns surrounding the fraudulent expenditure of funds and as expected the Mississippi State Auditor, Shad White, has confirmed exactly what I suspected. It is disheartening to know that the lives of so many in the State of Mississippi have been burdened due to the selfish acts of criminals who decided that millions in welfare funding should be spent elsewhere. This mismanagement of welfare funding has been called the "largest embezzlement scandal on record" by the Mississippi state auditor.[1] Constituents in my district who qualified for the TANF program have been denied those benefits due to this scheme that was devised by Mississippi state officials. It is my duty as a Congressman to bring these known illegal activities to your attention.

The purpose of the TANF program is to help needy families achieve self-sufficiency through employment and to provide them and their children with necessary resources. That purpose has been misused by funding originally intended for this much needed program in our state. According to the audit report, TANF funds were used to purchase expensive cars, sponsor college baseball tournaments, hire family members of top state officials, pay for volleyball stadiums and pay celebrities for services they never provided. [2] Some of the individuals involved in this criminal enterprise are currently facing charges of embezzlement at the local level, not the federal level which as you know TANF are 100% federal.

A 104-page audit of the Mississippi Department of Human Services shows how federal welfare grant funds flowed from DHS into two nonprofit groups, which allegedly spent the cash in inappropriate or

---

[1] Luke Ramseth, *MS Welfare Scandal Audit Money Went to Pay Brett Favre for Speeches He Never Gave*, Cars, *Family Officials*, https://www.clarionledger.com/story/news/politics/2020/05/04/ms-welfare-scandal-audit-94-m-questionable-spending/3076949001/ (2020).
[2] *Id.*

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questionable ways.[3] The recent audit of the Mississippi Department of Human Services' illegal use of TANF funds revealed the following and more:

- **Welfare funds were used to hire lobbyists**

- **Family members of state officials were hired and paid with TANF dollars**

- **Brett Favre was paid an estimated $1.1 million for appearances and speaking engagements that he was never present for**

- **Three luxury cars were purchased with welfare dollars**

- **Questionable payments made to media outlets**

- **TANF Funds were used to build a volleyball stadium at the University of Southern Mississippi**

This list of the misuse of funds intended for the needy in Mississippi keeps growing longer. This criminal enterprise threatens the existence of TANF funds in Mississippi and could cause for the program to be cut.

Remarkably, certain individuals whose names have been identified in the audit have been granted the ability to repay the funds that were used for their benefit. Either this is an illegal act or it is not. The consequences for being a part of such a scheme should translate equally for all parties involved. This criminal enterprise robbery of TANF funds intended for the poor must be investigated and the guilty must be prosecuted and forced to pay back every cent.

I am again requesting that your office conduct an investigation into any and all TANF funds cited in the audit report. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

---

[3] Luke Ramseth, *Mississippi Welfare Scandal: Luxury Cars Among $94M in Questionable Spending, Audit Shows*, https://www.usatoday.com/story/news/politics/2020/05/04/mississippi-welfare-scandal-audit-shows-94-million questionable-spending/3080541001/ (2020).

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May 19, 2020

The Honorable Alex Azar, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Third Formal Complaint Against the Mississippi Community Education Center

The Mississippi Community Education Center was operated as a criminal enterprise in the state of Mississippi for several years. They have used TANF monies to conduct this criminal enterprise. This is my third letter asking for this matter to be investigated. I would like to expand my complaint to cover the years of fraudulent practices by the Mississippi Department of Human Services that have led to the exposure of the biggest embezzlement scheme the state has ever seen.

Earlier this month, the Mississippi State Auditor, Shad White, published an audit that questioned the illegal use of $94 million in welfare funds by the Mississippi Department of Human Services (MDHS). The audit only examined spending in fiscal year 2019 and any earlier purchases the office may have identified in the course of the audit, and a contract that spanned multiple years.[1] Although the illegal use of welfare funds by MDHS has recently been exposed, this fraudulent behavior dates back for years. As far back as 2016, the former Mississippi Department of Human Services Executive Director was not properly allocating $35 million in federal Temporary Assistance for Needy Families (TANF) funding.[2] Temporary Assistance for Needy Families attracted national attention in 2017 when MDHS reported rejecting 98.5 percent of welfare applicants the previous year. The agency also reported leaving nearly $50 million in TANF funds unused. The welfare caseload continued to plummet as the state reported spending more money on programming, such as parenting classes and skills training, than on direct payments to poor families.[3] MDHS failed to spend millions in TANF funds, carrying over a large unobligated balance from year to year. After that, the agency stopped publishing its approval rate in annual reports, which shrunk from 108 pages in 2004 to 20 pages in 2019.[4]

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[1]Anna Wolfe, *Feds: Mississippi Must Replace All Misspent or Stolen Welfare Money with State Funds*, https://mississippitoday.org/2020/05/14/feds-mississippi-must-replace-all-misspent-or-stolen-welfare-money-with-state-funds/ (2020).
[2] Nick Judin, *Alleged TANF Fraud Follows Years of Individual Recipient Rejections*, https://www.jacksonfreepress.com/news/2020/feb/11/alleged-tanf-fraud-follows-years-individual-recipi/ (2020).
[3]*Id.*
[4] Anne Wolfe, *Connecting The Dots: Players in Massive Welfare Embezzlement Case Got Millions From Taxpayers, But Helped Few*, https://mississippitoday.org/2020/02/06/connecting-the-dots-players-in-massive-welfare-embezzlement-case-got-millions-from-taxpayers-but-helped-few/ (2020).

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Mississippi was awarded an estimated $130 million yearly by the federal government to use funds as necessary to provide for the state's needy families. Out of $135 million in 2018, Mississippi spent just five percent, or $7.3 million, on direct cash assistance to poor families.[5] That year MDHS gave six times that amount, almost $44 million, to Mississippi Community Education Center, the non-profit at the center of this criminal enterprise.[6] In the same time frame, the nonprofit had helped 94 people complete a resume and 72 people fill out job applications in addition to the educational classes it conducted.[7]

Below is a timeline of events that connect this embezzlement scheme organized by the Mississippi Department of Human Services:

> **Jan 2016**: *Governor Phil Bryant announced his appointment of John Davis, the former director of the Mississippi Department of Human Services and one of six indicted on embezzlement charges for the misuse of welfare funds. During Davis' tenure as Director, Mississippi denied more TANF applicants than any other state in the country.*
>
> **Jul 2016**: *The Mississippi Community Education Center (MCEC), one of the non-profit organizations intertwined in the welfare embezzlement scheme, received $11.4 million in funding for FY2017 after receiving roughly $1.1 million from MDHS the previous year.*
>
> **Jul 2017**: *MDHS doubles funding for FY2018 to MCEC to $22.4 million.*
>
> **Oct 2017**: *MCEC used federal welfare dollars to pay $5 million in cash to build a state-of-the-art volleyball facility on the University of Southern Mississippi campus.*
>
> **Sept 2018**: *The accountant for MCEC conspired to transfer at least $2 million of funds from MDHS to personal accounts.*
>
> **Jan 2019**: *There was an illegal transfer of $750,000 MCEC funds for a personal investment in a medical technology company in Florida, which was the first of many illegal transfers.*
>
> **Oct 2019**: *There was an illegal transfer of $2.1 million from MCEC to two Florida companies using Mississippi Welfare funds.*

As the state doled out money to subgrantees with little accountability, it approved fewer and fewer families for direct assistance. The program served less than 4 percent of children living in poverty in 2018.[8] Mississippi is only required to report in vague categories the way it spends Temporary Assistance for Needy Families (TANF) dollars to the federal government. From 2017 to 2018 alone, MDHS reported spending half what it had spent on work activities, work supports and supportive services and quadrupled the amount spent on parenting classes that were offered by MCEC.[9]

It is unsettling to know that those who were entrusted with positions to provide assistance to needy families, deceived the State of Mississippi by devising this criminal enterprise. Mississippi is one of the poorest states in the nation, with 20% of our citizens living below the poverty line. Imagine the number of children

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[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] Anne Wolfe, *Why Did a Welfare Organization Pay $5 Million to Build a USM Volleyball Facility?*, https://mississippitoday.org/2020/02/27/welfare-program-paid-5-million-for-new-volleyball-center/ (2020).
[9] *Id.*

and families who have suffered as a result of those who believed the state's welfare funds would be better spent for their own personal gains. This is a matter of greed over good. Every individual, for every year that welfare dollars were misused, should be held accountable to the fullest extent of the law.

I again request that your office expand my first and second complaint letters by investigating this criminal enterprise beyond the years included in the recent audit. I look forward to your response and the results of the investigation. I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

cc:

Jarvis Dortch
Mississippi State Representative

Oleta Fitzgerald
Director
Children's Defense Fund's Southern Regional Office

Christi Grimm
Principal Deputy Inspector General
U.S. Department of Health and Human Services

Derrick Johnson
President and CEO
National Association for the Advancement of Colored People

Christopher Wray
Director
Federal Bureau of Investigation

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June 12, 2020

The Honorable Alex Azar
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: No Response to Complaint Letters Regarding Mississippi Department of Human Services Embezzlement Scheme

Dear Secretary Azar:

On April 11, 2020, I wrote a formal complaint letter to your office requesting an investigation into the misuse of Temporary Assistance for Needy Families (TANF) funding by the Mississippi Department of Human Services. This letter was followed by a second and a third complaint letter to your office addressing an audit of the Mississippi Department of Human Services and a complaint against the Mississippi Community Education Center. All three letters have yet to receive a response from your office and a month has passed since my initial letter to your office. I am offended by the lack of responsiveness to my letters, as it is unprofessional and unsatisfactory.

As you will indicate, my complaint letters apply to the criminal enterprise operating in the State of Mississippi using TANF funds. This issue with the Mississippi Department of Human Services is of grave concern to me. My requests for investigations into this criminal enterprise which has spanned over a couple of years, warrants a response from your office. This mismanagement of funds meant for welfare recipients in the state has been called the "largest embezzlement scandal on record", by the Mississippi State Auditor. Constituents in my district who qualified for the TANF program have been denied those benefits due to this scheme that was devised by Mississippi State officials.

My concern for thousands of citizens across the state being denied welfare benefits due to an embezzlement scheme, should not be disregarded by your office. My minimal ask of you is that, when I send a correspondence to your office that I at least receive a timely response.

I have enclosed all three complaint letters for your review that I have filed with your office. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

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cc:

Jarvis Dortch
Mississippi State Representative

Oleta Fitzgerald
Director
Children's Defense Fund's Southern Regional Office

Christi Grimm
Principal Deputy Inspector General
U.S. Department of Health and Human Services

Derrick Johnson
President and CEO
National Association for the Advancement of Colored People

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April 28, 2021

The Honorable Xavier Becerra
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Mississippi Department of Human Services (MDHS) Embezzlement Scheme – Brett Favre

Dear Secretary Becerra:

I am writing to your office again to express my anguish regarding the treatment of certain individuals in the criminal proceedings of the criminal enterprise that was operated at the Mississippi Department of Human Services (MDHS) for several years. Last year it was revealed that the leadership at Mississippi Department of Human Services organized a welfare scandal, and from the work of the current Mississippi State Auditor and others, it was found to be the "largest embezzlement scandal on record" in the state of Mississippi. Pro Football Hall of Famer Brett Favre benefited from the scandal after receiving an estimated $1.1 million in welfare money that was meant to help the most vulnerable in the state.

On September 29, 2020, I wrote a letter to your office that discussed the preferential treatment Mr. Favre has received throughout the process of arresting and convicting individuals who were involved in the scandal. A total of six arrests were made in connection with this criminal enterprise, but Mr. Favre was not arrested. Instead, he was allowed the opportunity to pay back the $1.1 million in welfare funds without criminal consequence.

A celebrity status should not invoke favoritism when a crime is involved in any situation, especially one that has taken food off the table and money out of the pockets of thousands of Mississippians who were impacted by this embezzlement scheme. According to the audit that exposed the scandal, Mississippi could have purchased roughly 3 million diapers with the $1.1 million in welfare funds MDHS paid Brett Favre for speaking engagements he never attended. That equals about a year's worth for 1,145 moms. The average cost of diapers is $80 a month, according to the National Diaper Bank Network.[1]

Mississippi is one of the poorest states in the nation, with 20% of our citizens living below the poverty line. Most of those citizens were left without direct assistance from the state's welfare program due to the selfish and criminal acts of Brett Favre and others involved in this scandal. There should be standard of equity in justice and Mr. Favre should be held to that standard and treated with the same accountability as others.

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[1] Anna Wolfe, *MS Welfare: What We Bought Versus What We Could Have Bought*, https://mississippitoday.org/2020/05/11/mississippi-welfare-what-we-bought-versus-what-we-could-have-bought/ (2020).

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Again, I request that your office investigate this matter. I look forward to your response and the results of the investigation. I urge and appreciate your immediate attention to the concerns referenced in this letter and trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

BENNIE G. THOMPSON
SECOND DISTRICT, MISSISSIPPI

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April 6, 2022

The Honorable Xavier Becerra, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Fourth Complaint on Temporary Assistance for Needy Families (TANF) program Embezzlement Scheme in Mississippi

Dear Secretary Becerra:

I am writing to your office to call your attention to the recent revelation of Mississippi's former Governor's alleged role in the state's largest embezzlement scheme to date regarding the Temporary Assistance for Needy Families (TANF) program. While Governor Phil Bryant was in the position to act in the best interest of Mississippians, he allegedly failed to maintain the oath that he took.

I have a written ongoing complaint about the state of Mississippi's improper use of TANF funds. This letter expands that complaint based on certain articles that have been recently published in the Mississippi Today news outlet. In 2019, I wrote to your office after I was informed of the Mississippi Department of Human Services (MDHS), an entity in the center of this scandal, informing you that MDHS rejected almost every TANF applicant and refused millions in anti-poverty funds. In 2020, I wrote to your office again expressing my concerns surrounding Mississippi receiving $135 million for the program and only five percent of the funding was spent on direct assistance to poor families. Again in 2020, I informed your office of an audit that had been conducted by the State Auditor on how funds meant for the state's TANF program had been used illegally.

As a result of new revelations in this scheme, I submitted yet another complaint to your office requesting an investigation into the criminal enterprise that misused millions of dollars of federal funds for the most vulnerable and needy families in the state. Unfortunately, I received a vague and unclear response from your office on every complaint letter I have submitted. I have enclosed copies of the complaints that I have submitted to your office. Based on recent revelations, it appears that the past complaints against Mississippi state officials are incomplete, specifically the attached published stories outline the weakness in the state's investigation.

During his last year as governor, Phil Bryant allegedly indulged NFL legend Brett Favre's pleas for help with a pharmaceutical venture, which ended up receiving more than $2 million in allegedly stolen welfare

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funds from the Mississippi Department of Human Services during Bryant's administration.[1] Governor Bryant used the authority of his office, the weight of his political influence and the power of his connections to help his friend and retired NFL quarterback Brett Favre boost a fledgling pharmaceutical venture.[2] Purportedly after masterminding a deal with his friend Brett Favre, he attempted to cash in on the project when he left office. To accomplish the scheme, Mr. Favre just needed a little more political and financial capital to push the enterprise into the end zone.[3] With the drug company investment, the volleyball arena and other payouts, at least $8 million in misspending auditors identified within Mississippi's larger welfare scandal stemmed from Favre's requests or fees. [4]

The purpose of the TANF program is to help needy families achieve self-sufficiency through employment and to provide them and their children with necessary resources. Rather than serving TANF eligible persons, the former Governor and his friends circumvented the congressional intent of what TANF funds should be spent for. If parties involved in this scheme had not embezzled millions in cash assistance, it could have reached roughly *46,078 families*, or *42 percent* of families living in poverty in Mississippi.

It is unsettling to know that those who were entrusted with positions to help needy families, deceived the State of Mississippi by devising this criminal enterprise. Constituents in my district who qualified for the TANF program have been denied access to benefits that they are eligible to receive due the criminal minds and actions state officials and others involved in this scandal. It is my duty as their Congressman to bring these known illegal activities to your attention, as I have done several times.

The actions of the former Governor and his friends in apparently illegally using a federally funded program meant for poor families is deplorable and unacceptable. If the facts in the enclosed articles are true, then your office has an obligation to investigate and if you find any illegal activities refer them to the necessary authorities for prosecution. I trust that you will take appropriate actions to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

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[1] Anna Wolfe, *8 revelations from Part 1 of 'The Backchannel' investigation* https://mississippitoday.org/2022/04/04/phil-bryant-brett-favre-key-takeaways/ (2022).
[2] *Id.*
[3] *Id.*
[4] Anna Wolfe, *'You stuck your neck out for me': Brett Favre used fame and favors to pull welfare dollars* https://mississippitoday.org/2022/04/06/brett-favre-used-fame-favors-welfare-dollars/ (2022).

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June 28, 2022

The Honorable Xavier Becerra, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Fourth Complaint on Temporary Assistance for Needy Families (TANF) program Embezzlement Scheme in Mississippi

Dear Secretary Becerra:

In 2016, the story broke that the Mississippi Department of Human Services (MS DHS), under Director, John Davis, and the leadership of then Governor Phil Bryant, had wrongfully allocated TANF funds to Mississippi's most wealthy citizens (See attached letters).

This letter serves as my fourth letter of complaint on the improper use of TANF funds in the state of Mississippi. On July 9, 2019, I wrote then Secretary Azar informing him that the Mississippi Department of Human Services (MDHS) had rejected almost every TANF applicant and refused millions in anti-poverty funds. Then, on April 11, 2020, another letter was sent to Secretary Azar concerning the fact that Mississippi received $135 million for the program and only 5 percent of the funding was spent on direct assistance to poor families. Afterwards, on May 11, 2020, I sent a letter to Secretary Azar about a forensic audit conducted by the auditor for the State of Mississippi on how funds awarded to the TANF program had been used illegally. Finally, on May 19, 2020, I sent another complaint letter to Secretary Azar requesting an investigation into the criminal enterprise that misused millions of dollars of federal funds for needy families.

Additionally, it has come to my attention that information and documents recently released in an article published in the *Mississippi Today* newspaper that I need to expand my complaint. Recent revelations on the TANF scandal put on display information that highlights the weakness plaguing the state's investigation in this matter. During his last year as governor, Phil Bryant is said to have solicited NFL legend Brett Favre for help with a pharmaceutical venture, which ended up receiving more than $2 million in TANF funds from the Mississippi Department of Human Services during Bryant's administration.

The purpose of the TANF program is to help needy families achieve self-sufficiency through employment and to provide them and their children with necessary resources. Rather than serving TANF eligible persons, the former Governor and his friends circumvented the congressional intent of TANF funds to rob from the poor and give to the rich. If parties involved in this scheme had not embezzled millions in cash assistance, it could have reached roughly *46,078 families*, or *42 percent* of families living in poverty in Mississippi.

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Governor Bryant was the highest-ranking state governing official involved and is legally responsible for making sure programs and public monies that support them are spent in accordance with the law. Communication emails released to the public between Governor Bryant and John Davis are conspicuous. This group intentionally illegally spent and disposed of TANF funds while "needy families" suffered. As a Member of Congress representing one of the neediest congressional districts in this country, I am formally asking your office to expand your investigation based on these recent revelations by the news organization *Mississippi Today*.

The current investigations by state and local agencies do not appear to be thorough as evidenced by news articles that bring up issues not heretofore known to the public. This approach gives the appearance that there is also a cover up of these alleged illegal activities. It is egregious that this investigation is not as thorough as it should be. I trust my complaint will elevate this issue to the highest level in the department where your office, specifically, intervenes in the investigation to pursue expanded charges, requires Mississippi to repay all illegally spent TANF monies, and provides my office with the status of complaints one, two, and three.

If you have any questions or concerns, please contact Claytrice Henderson in my Washington, D.C. office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov. The biggest menace to society is not poverty, its corruption, and in this case, there must be economic justice for needy families!

Sincerely,

Bennie G. Thompson
Member of Congress

BENNIE G. THOMPSON
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July 15, 2022

The Honorable Xavier Becerra, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Request for Federal Investigation into Former Governor Phil Bryant's Embezzlement of Temporary Assistance for Needy Families (TANF) Funds

Dear Secretary Becerra:

It has come to my attention that the State of Mississippi has consistently misspent Temporary Assistance for Needy Families (TANF) funds. Specifically, Governor Phil Bryant is alleged to have steered money toward individuals who did not meet the criteria for eligibility.

In 2018, the Mississippi Department of Human Services (MDHS) received $135 million in TANF dollars, yet $77 million of those dollars were misdirected due to the influence of the governor's office. The governor's influence was blatantly apparent in a conversation between retired NFL quarterback Brett Favre and a contractor regarding the new MDHS Director, Christopher Freeze's attentiveness to where funds were being directed. In the text message conversation, Brett Favre referred to another conversation where the new director was classified as "*not being their type*", the contractor responded, "*well we may need the governor to make him our type*."[1] Governor Phil Bryant, has clearly taken actions consistent with ensuring Mississippi's poorest citizens are denied welfare funds meant to benefit their households.

Mississippi Auditor Shad White has identified numerous questionable and possibly illegal expenditures relative to the misspent TANF funds in a 2020 audit report. Phil Bryant should have known better than to do what he did with this funding meant for families in need.

In **January of 2016**, Governor Phil Bryant announced his appointment of John Davis, the former director of the Mississippi Department of Human Services and one of six indicted on embezzlement charges for the misuse of welfare funds. In **July of 2016**, The Mississippi Community Education Center (MCEC), one of the non-profit organizations intertwined in the scheme, received $11.4 million in funding for FY2017 after receiving roughly $1.1 million from MDHS the previous year. In **July of 2017**, MDHS doubled its funding for FY2018 to MCEC to $22.4 million. In **October of 2017**, MCEC used federal welfare dollars to pay $5 million in cash to build a state-of-the-art volleyball facility on the University of Southern Mississippi campus. In **September of 2018**, the accountant for MCEC conspired to transfer at least $2 million of funds

[1] Alex McDaniel, *Brett Favre Solicited Welfare Money from Mississippi, and It's Time to Pay Up*, https://www.clarionledger.com/story/sports/2022/05/13/brett-favre-solicited-welfare-money-mississippi-time-pay-up/9766171002/ (2022).

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from MDHS to personal accounts. In **January of 2019**, there was an illegal transfer of $750,000 MCEC funds for a personal investment in a medical technology company in Florida, which was the first of many illegal transfers. In **October of 2019**, there was an illegal transfer of $2.1 million from MCEC to two Florida companies using Mississippi Welfare funds.

Previously, the court evidence showed that the funds were misspent under the leadership of former Governor Phil Bryant amidst speculation that Bryant was directly involved. We now know from a Hinds County Court filing that Governor Bryant has been formally accused of directing the MS DHS to direct $1.1 million to Brett Favre. The people of Mississippi are entitled to a proper investigation into the embezzlement of TANF funding meant for families in need. It is egregious that news reports produce critical information that has yet to be addressed in the current investigations by state and local agencies.

This gross misuse of TANF dollars must illicit a review of former Governor Phil Bryant's involvement. Such an investigation should also examine the intolerable activity of retired NFL quarterback Brett Favre and how his actions were aided by Governor Bryant.

I urge you to work with the Department of Justice to conduct a federal investigation into the Mississippi TANF embezzlement scheme that centers around the role of former Governor Phil Bryant. The people of Mississippi deserve answers, and accountability for breaking the law must he upheld for all who were involved: especially for Governor Bryant.

If you have any questions or concerns, please contact Claytrice Henderson in my Washington, D.C. office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov. No one, especially our elected officials, is above the law.

Sincerely,

Bennie G. Thompson

Bennie G. Thompson
Member of Congress

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SECOND DISTRICT, MISSISSIPPI

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July 15, 2022

The Honorable Merrick B. Garland
United States Department of Justice
950 Pennsylvania Avenue NW
Washington, D.C. 20530-0001

RE: Request for Federal Investigation into Former Governor Phil Bryant's Embezzlement of Temporary Assistance for Needy Families (TANF) Funds

It has come to my attention that the State of Mississippi has consistently misspent Temporary Assistance for Needy Families (TANF) funds. Specifically, Governor Phil Bryant is alleged to have steered money toward individuals who did not meet the criteria for eligibility.

In 2018, the Mississippi Department of Human Services (MDHS) received $135 million in TANF dollars, yet $77 million of those dollars were misdirected due to the influence of the governor's office. The governor's influence was blatantly apparent in a conversation between retired NFL quarterback Brett Favre and a contractor regarding the new MDHS Director, Christopher Freeze's attentiveness to where funds were being directed. In the text message conversation, Brett Favre referred to another conversation where the new director was classified as "*not being their type*", the contractor responded, "*well we may need the governor to make him our type*."[1] Governor Phil Bryant, has clearly taken actions consistent with ensuring Mississippi's poorest citizens are denied welfare funds meant to benefit their households.

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[1] Alex McDaniel, *Brett Favre Solicited Welfare Money from Mississippi, and It's Time to Pay Up*, https://www.clarionledger.com/story/sports/2022/05/13/brett-favre-solicited-welfare-money-mississippi-time-pay-up/9766171002/ (2022).

to build a state-of-the-art volleyball facility on the University of Southern Mississippi campus. In **September of 2018**, the accountant for MCEC conspired to transfer at least $2 million of funds from MDHS to personal accounts. In **January of 2019**, there was an illegal transfer of $750,000 MCEC funds for a personal investment in a medical technology company in Florida, which was the first of many illegal transfers. In **October of 2019**, there was an illegal transfer of $2.1 million from MCEC to two Florida companies using Mississippi Welfare funds.

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I urge you to work with the Department of Health and Human Services to conduct a federal investigation into the Mississippi TANF embezzlement scheme that centers around the role of former Governor Phil Bryant. The people of Mississippi deserve answers, and accountability for breaking the law must he upheld for all who were involved: especially for Governor Bryant.

If you have any questions or concerns, please contact Claytrice Henderson in my Washington, D.C. office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov. No one, especially our elected officials, is above the law.

Sincerely,

Bennie G. Thompson

Bennie G. Thompson
Member of Congress

Mr. NEAL. Thank you.

Mr. LARSON. Do you yield back?

Mr. NEAL. I yield back.

Mr. LARSON. Thank you, Mr. Neal.

And thank you, Mr. Chairman.

And thank you to all of our witnesses for your testimony to an incredibly important program, TANF, and especially given its goals and focus. And clearly, there is a need for reform.

And I want to make sure that we point out as well and thank Representative Danny Davis, Representative Gwen Moore, Judy Chu, Representative Dwight Evans, and Representative Jimmy Gomez for putting together the TANF State Expenditure Integrity Act. I think that will go a long way towards helping.

And certainly, child poverty is an issue all across this country of ours, and any time there is fraud or abuse in a program, it ought to be investigated, and we ought to make sure that we are eliminating that. We shouldn't tolerate any kind of crime to federal dollars that are flowing to our states.

There is, however, sometimes another crime of neglect, and this committee, and the United States Congress, is very much responsible for that.

Imagine, Mr. Dortch, that last time that Social Security was enhanced, Richard Nixon was President of the United States. You are talking about a state that desperately needs help and where 58,000 children are impacted, and yet, Congress has not voted to enhance benefits to Social Security recipients.

And I am sure some of the goals here are well-intended, but how can we convene as a body year after year and bring up subject matter after subject matter, and not acknowledge the most effective and efficient governmental program that we have administered for approximately one percent?

I am from an insurance capital of the world. They administer insurance anywhere from between 16 to 26 percent, but here is the federal government, with the number one antipoverty program for the elderly and also for children, that has not enhanced the program in more than 50 years.

Mr. Favre, don't you think that that is pretty incredulous?

Mr. FAVRE. I do.

Mr. LARSON. Mr. Dortch, how about you? Do you think that is pretty incredulous?

Mr. DORTCH. I agree.

Mr. LARSON. Isn't it long overdue that, when we talk about fraud and abuse and waste—that what we need to do is to take a look at the programs that are working and understand that government has not stepped up. And this isn't anything that the executive can do or that the Supreme Court is going to do. Only the United States Congress can make sure that we step up.

We have 70,000—excuse me—70 million Social Security recipients. 10,000 baby boomers a day become eligible. This is the committee that is responsible for it, and it is long overdue that we take a vote.

I yield back.

Chairman Smith. Thank you.

Mr. Schweikert.

Mr. SCHWEIKERT. Thank you, Mr. Chairman.

And I care a lot about this issue, and I wanted to see if I can actually do something a little more complex because I really think this could be one of the few things here where we would learn some way to talk to the left and the right, because I believe the conversation is much bigger than TANF.

There is very good economic data now. In America, you know, if you are born poor, it is much more devastating—much more devastating than the race you are born or who your parents want to cuddle with or anything else. Poverty is the thing that crushes an individual's future.

We have had a fixation—at least out of my office, also—on the components of health. We have some data that shows that one of the primary drivers in income inequality is actually when you have family members that are quite unhealthy—diabetes, other issues with that—and when we have normalized for that, it has been amazing how income stability comes back in.

And Sam, I don't want to mispronounce your name. It is Adolphsen? Say it for me.

Mr. ADOLPHSEN. Adolphsen.

Mr. SCHWEIKERT. Adolphsen. I should have gotten that.

So, if I came to you and said, all right. Clean slate. We want to help our brothers and sisters in America, let's say, 200 percent and below the poverty line, and we are able to reach out in, say, every program. Remember, I just set off the alarm bells of thousands of lobbyists around the country who just lost their minds.

But everything that we do in our Medicaid system to TANF to nutrition support to even the way we deliver WIC to, you know, the modern equivalent of EBT cards, and we said—okay.

First off, what, that is 11- to 12,000 per person? So a family of three—you know, which is a typical TANF family—you know, let's call it 33- to 35,000. Make the math simple.

If we were to rethink—because, you know, we have this amazing technology and other things. It is not the 1950s. It is not the 1960s, 1970s anymore. How can we help our brothers and sisters be less poor?

And, also, Mr. Chairman, for the record, I would like to submit some articles and a University of Chicago study that talks about relationship to work at the end of 10 years is the single most powerful thing in changing poverty, not necessarily, you know, the transfer of payments.

Chairman SMITH. Without objection.

[The information follows:]

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The Anti-Poverty, Targeting, and Labor Supply Effects of the Proposed Child Tax Credit Expansion

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Abstract

The proposed change under the American Families Plan (AFP) to the Tax Cuts and Jobs Act (TCJA) Child Tax Credit (CTC) would increase maximum benefit amounts to $3,000 or $3,600 per child (up from $2,000 per child) and make the full credit available to all low and middle-income families regardless of earnings or income. We estimate the anti-poverty, targeting, and labor supply effects of the expansion by linking survey data with administrative tax and government program data which form part of the Comprehensive Income Dataset (CID). Initially ignoring any behavioral responses, we estimate that the expansion of the CTC would reduce child poverty by 34% and deep child poverty by 39%. The expansion of the CTC would have a larger anti-poverty effect on children than any existing government program, though at a higher cost per child raised above the poverty line than any other means-tested program. Relatedly, the CTC expansion would allocate a smaller share of its total dollars to families at the bottom of the income distribution—as well as families with the lowest levels of long-term income, education, or health—than any existing means-tested program with the exception of housing assistance. We then simulate anti-poverty effects accounting for labor supply responses. By replacing the TCJA CTC (which contained substantial work incentives akin to the EITC) with a universal basic income-type benefit, the CTC expansion reduces the return to working at all by at least $2,000 per child for most workers with children. Relying on elasticity estimates consistent with mainstream simulation models and the academic literature, we estimate that this change in policy would lead 1.5 million workers (constituting 2.6% of all working parents) to exit the labor force. The decline in employment and the consequent earnings loss would mean that child poverty would only fall by 22% and deep child poverty would not fall at all with the CTC expansion.

Keywords: Child Tax Credit; Poverty; Administrative data; Survey misreporting; Simulation; Employment

* Authors can be contacted at the following email addresses: Kevin Corinth (kcorinth@uchicago.edu); Bruce Meyer (meyer1@uchicago.edu); Matthew Stadnicki (mstadnicki@uchicago.edu); Derek Wu (derekwu@uchicago.edu). This paper, which has been subject to a limited Census Bureau review, is released to inform interested parties of research and to encourage discussion. Any opinions and conclusions expressed herein are those of the author(s) and do not represent the views of the U.S. Census Bureau. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization numbers: CBDRB-FY2021-CES005-024 and CBDRB-FY2021-CES005-028. We thank many employees of the U.S. Census Bureau for their assistance; Pablo Celhay, Jeffrey Grogger, Elaine Maag, Nikolas Mittag, James Sullivan, and Scott Winship for helpful discussions and comments; and Gillian Meyer, Connor Murphy, and Angela Wyse for excellent research assistance. We appreciate the financial support of the Alfred P. Sloan Foundation, the Russell Sage Foundation, the Charles Koch Foundation, the Menard Family Foundation, and the American Enterprise Institute.

1. Introduction

Policymakers require accurate evidence on the effects of potential policies to make informed decisions. The recent proposal under the American Families Plan (AFP) to make permanent the temporary expansion of the Child Tax Credit (CTC) in the United States presents a particularly relevant case study. Proposed under the crisis conditions of the COVID-19 pandemic, the changes would replace the existing Tax Cuts and Jobs Act (TCJA) CTC with a larger benefit that would be available to all low and middle-income families with children regardless of earnings or income. In total, families would receive an additional \$101 billion in benefits each year, more than the U.S. spends on either the Supplemental Nutrition Assistance Program (SNAP), rental housing assistance, or the Earned Income Tax Credit (EITC). Despite the magnitude of the proposed changes, research to date on the CTC expansion pales in comparison to what preceded the welfare reforms of the 1990s. In this paper, we help fill the research gap by examining the anti-poverty, targeting, and labor supply effects of the CTC expansion. We make two major innovations relative to past work: we use linked survey and administrative data to correct for the pronounced underreporting of survey incomes, and we incorporate the labor supply effects of the large changes in work incentives.

The importance of the proposed CTC expansion has led a number of researchers to simulate its anti-poverty effects (Acs and Werner 2021; Brill, Pomerleau, and Seiter 2021; Collyer et al. 2021; Congressional Research Service 2021; Marr et al. 2021). In addition to relying solely on survey data, these studies do not incorporate labor supply reductions in response to changes in the CTC when modelling impacts on income and poverty. The National Academy of Sciences (NAS) (2019) analyzes the employment and hours effects of a similar policy and is often cited as evidence that the proposed CTC expansion would have minimal employment effects.[1] However, it omits the effects on employment and poverty of eliminating the work incentives of the pre-existing CTC, basing its calculations on a CTC in its simplest form without pre-existing work incentives.

[1] One report notes: "An expert panel convened by the National Academy of Sciences projected that under a child credit policy similar to the expanded Child Tax Credit, 99.5 percent of working parents would continue to work, and few would substantially reduce their hours" (Sherman, Marr, and Hingten 2021). Some previous studies simulating the anti-poverty effects of the CTC expansion cite the NAS report as a justification for not incorporating labor supply effects (e.g., Acs and Werner 2021; Collyer et al. 2021). A letter from 462 economists submitted to Congressional leaders on September 15, 2021 argues the CTC expansion would lead to minimal work reduction based on the NAS report, stating: "Indeed, the panel of experts who reviewed this issue for the National Academy of Sciences concluded that a universal child allowance would have a negligible effect on employment."

Furthermore, relying on surveys alone to measure income may bias estimates of the anti-poverty effects of proposed policies. Survey-reported values of income have been found to understate true incomes for both market income sources (e.g., Bee and Mitchell 2017) and government benefits (e.g., Meyer and Mittag 2019). This error can lead survey data to not only overstate the level of poverty but also understate the anti-poverty effects of existing government programs (Meyer and Wu 2018; Shantz and Fox 2018; Meyer, Wu, et al. 2021). To address the misreporting of income and other information in surveys, the Comprehensive Income Dataset (CID) links major household surveys with an extensive set of tax records and administrative government program data sources. The CID improves upon existing efforts to simulate proposed policies by calculating a more accurate distribution of baseline incomes, modeling the proposed CTC expansion more accurately, and enabling more accurate comparisons of the CTC expansion to existing programs.

We first analyze the static poverty reduction effects of expanding the CTC, ignoring any behavioral responses. We refer to the increase in CTC benefits from the TCJA CTC to the AFP CTC as the "incremental" CTC. To enable a consistent comparison between the CID-based results and estimates relying on survey data alone, we set our poverty thresholds such that 13.7% of children are in poverty in our baseline. This 13.7% baseline child poverty rate is similar to that used for previous simulations of the CTC expansion and was the child poverty rate according to the Supplemental Poverty Measure in 2018. From this baseline, we find that—absent behavioral responses—child poverty would fall by 34% and deep child poverty would fall by 39% due to the CTC expansion.

We next compare the anti-poverty effects of the proposed changes to the CTC with those of existing government programs, again before accounting for labor supply changes. To put the programs on an equal footing, we take as our baseline a setting in which the AFP CTC is in place, and then simulate how much poverty would increase if a given program were eliminated. In other words, these results indicate how much poverty is avoided as a result of each program. The incremental CTC, if made permanent, would keep 5.8 million people (including 3.4 million children) out of poverty and become the most important program for preventing child poverty. Reverting back to the TCJA CTC would increase child poverty by 51%. Eliminating the EITC, the program with the second highest effect, would increase child poverty by 42%.

Despite its large anti-poverty effects, the incremental CTC is less targeted to the bottom part of the income distribution than other means-tested programs. A lower share of incremental

CTC dollars would be received by families in the bottom 10% or 50% of annual income than all other major means-tested programs (with the exception of rental housing assistance for the bottom 10%). In line with these results, the incremental CTC keeps fewer children out of poverty—per dollar spent on families with children—than other major means-tested programs. The EITC in particular provides a larger share of benefits to families in the bottom decile of annual income (20%) than the incremental CTC (15%). The incremental CTC is also less targeted than other means-tested programs to families with low long-run market income, low educational attainment, and poor health. Yet, the incremental CTC is more targeted than the TCJA CTC to families with low incomes and low levels of well-being.

While the static results are useful as a baseline, it is important to account for any resulting reductions in employment. The TCJA CTC produces strong work incentives because the credit is generally available only to parents who work. Eliminating the TCJA CTC would therefore reduce employment participation by decreasing the return to work. Replacing the TCJA CTC with a child allowance (akin to a universal basic income-type benefit for children) and increasing the maximum benefit amount would further reduce employment through an income effect. We simulate the employment effects of the CTC expansion relying on elasticity estimates used by the NAS, the Congressional Budget Office, and the academic literature. We estimate that the decreased return to work would lead 1.32 million working parents to exit the labor force, while the income effect would reduce employment by a further 0.14 million, for a total employment loss of 1.46 million workers (constituting 2.6% of all working parents). Our estimate of employment loss due to the CTC expansion differs markedly from the corresponding estimate in a 2019 NAS report, which concludes that replacing the CTC with a child allowance similar to the proposed AFP CTC would reduce employment by 0.15 million workers (National Academy of Sciences et al. 2019). NAS (2019) obtains a much smaller employment reduction because it does not account for the *decrease* in the return to work, despite accounting for such an effect when analyzing reforms to the EITC. Instead, the NAS report only estimates employment loss due to an income effect, which is similar in magnitude to our estimate of the income effect.

Many other authors have noted the work incentives of the TCJA CTC (and pre-existing versions), but prior research on the CTC expansion has not fully incorporated them into analyses of the effects of proposed changes. We show that the CTC reform embeds a change in incentives that is almost as large as that from eliminating the EITC—among all working parents with earnings below $100,000, the reduced incentive to work at all due to the CTC reform is 88% as large as the reduced incentive to work at all due to hypothetically eliminating the EITC. When applying our modeling approach to changes in the EITC, we find a modestly lower employment response than what NAS (2019) finds—indicating that we have been conservative in parameterizing the labor supply responsiveness of this population. Our estimates of the changes in employment are also consistent with the observed changes in the employment of single mothers after welfare reform in the 1990s.

Labor force exits due to the CTC expansion would have important implications for the anti-poverty effect of the policy change. Allowing for behavioral responses, we estimate that the effect of the CTC expansion on child poverty would fall from 34% based on our static simulation to 22% based on our dynamic simulation. Moreover, we estimate that the CTC expansion would have no effect on deep child poverty after allowing for labor supply responses, in stark contrast to the 39% reduction in deep poverty based on our static simulation. However, we do not model the effects of the CTC expansion on long-term outcomes such as health, education, incarceration, and single parenthood.

Finally, we compare static results obtained using our CID-based simulation to results obtained using only survey data. The correction for underreporting of survey income and the broadening of the income measure lead us to set poverty thresholds 40% higher than official thresholds in order to hold constant the share of children in poverty at baseline. Despite doing so, we estimate a low baseline level of deep child poverty of 2.3%—the share below half this higher threshold—that is a direct result of improvements in the measurement of income, leading to considerably fewer children in the left tail of the income distribution. Additionally, in contrast to the static survey-only results, the static CID-based results find smaller differences between the incremental CTC and existing programs in preventing poverty, and greater targeting of existing tax credits to families at the bottom of the income distribution. These improvements reflect the ability of the CID to more accurately measure all sources of income, including tax credits. We also compare our static results to those of prior simulations of the AFP CTC, which have found larger anti-poverty effects between 35% and 46% (compared to the 34% effect we find using only the survey). Our estimate is lower because we account for incomplete take-up of the AFP CTC by non-tax filers, and because we update incomes to a 2022 baseline. These comparisons of the survey-only and CID estimates demonstrate the important role of linked data in facilitating a wide-ranging analysis of the effects of the proposed CTC expansion.

By using the CID to simulate proposed policies, our paper builds upon a growing body of research using the CID to improve the understanding of economic well-being in the United States. Other research using the CID has focused on using linked administrative data to address errors in surveys (Medalia et al. 2019; Meyer et al. 2020; Celhay, Meyer, and Mittag 2021; Meyer and Mittag 2021), measuring extreme poverty (Meyer, Wu, et al. 2021), analyzing the effect of existing programs on economic well-being (Meyer and Wu 2018; Meyer and Mittag 2019), and improving our understanding of the homeless population (Meyer, Wyse, et al. 2021). This is the first paper to use the CID to simulate the effects of proposed policies with greater accuracy than simulations based on survey data alone.

The rest of this paper proceeds as follows. Section 2 describes the proposed CTC expansion. Section 3 describes the data sources, and Section 4 describes the methodology for simulating income under the TCJA CTC and AFP CTC. Section 5 reports the static results, Section 6 reports the dynamic results accounting for changes in labor supply, and Section 7 discusses their implications. Section 8 concludes.

2. The Proposed Child Tax Credit Expansion

This section describes the TCJA CTC, the AFP CTC, and how work incentives would change as a result of the expansion. The TCJA CTC is a tax credit for families with children, providing $118 billion in benefits in 2018. Unlike the EITC, the full amount of the TCJA CTC is only available as a non-refundable credit and so families must have a sufficient amount of taxable income to receive it. Lower-income families can receive a smaller refundable portion of the credit, but—like the EITC—this refundable portion phases in with earned income, leaving families with no earned income ineligible for any benefits. In contrast, most means-tested benefits—including SNAP, rental housing assistance, and Supplemental Security Income (SSI)—provide maximum benefits to families with no income and phase out as incomes increase. The AFP CTC would similarly provide the maximum benefit to low-income families, but it would not phase out until incomes reach much higher levels. We describe the TCJA CTC and AFP CTC in more detail below, followed by a discussion of their differing work incentives.

Tax Cuts and Jobs Act CTC

The TCJA CTC offers tax filers a credit of up to $2,000 per dependent child under age 17, with up to $1,400 being refundable. The refundable portion of the CTC (called the Additional CTC or ACTC) does not require tax filers to have any federal income tax liability. It begins phasing in at $2,500 of earned income, at a rate of $0.15 per dollar of earned income.[2] A maximum of $1,400 per dependent child can be claimed as a refundable credit, and the remaining portion of the maximum $2,000 credit must be claimed as a non-refundable credit that offsets federal income tax liability. In Figure 1, the solid line shows the credit amount as a function of earnings for a family headed by a single parent with two children. The CTC phases out at a 5% rate beginning at $200,000 of taxable income for single filers and $400,000 for married filers. An additional $500 credit (called the Credit for Other Dependents or ODC) can be claimed on behalf of dependents aged 17+ who are not eligible for the $2,000 credit. The ODC is non-refundable and phases out at the same rate as the non-refundable CTC for dependents under age 17.

The TCJA CTC itself expanded the pre-TCJA CTC benefit. Prior to the implementation of TCJA for the 2018 tax year, the CTC was capped at $1,000 per child (with a lower refundable portion). The TCJA version of the CTC is set to expire after 2025, at which time this older version of the CTC would again take effect absent legislative action.

American Families Plan CTC

On March 11, 2021, President Biden signed the American Rescue Plan Act into law. Among other provisions, the law temporarily expanded the CTC for 2021 only. In April 2021, the Biden Administration proposed extending this expanded version of the CTC through 2025 as part of the AFP.[3] The AFP CTC would increase the maximum per-child credit from $2,000 for all children under age 17 to $3,600 for children aged 0 to 5 and $3,000 for children aged 6 to 17. It would also make the CTC fully refundable, meaning families with little or no tax liability would qualify for the entire amount. Notably, children aged 17 would qualify for the full $3,000 under the AFP CTC, whereas they are only eligible for the ODC (up to $500) under TCJA. In Figure 1, the dashed line shows the credit amount as a function of earnings (it is constant) for a family headed by a single parent with two children. The higher maximum payment would begin to phase out starting at $75,000 for single filers, $112,500 for head of household filers, and $150,000 for

[2] For example, a tax filer with one dependent child, no tax liability and $3,500 of earned income would receive a refundable credit of $150 (15% of the difference between $3,500 and $2,500).

[3] The American Families Plan would additionally expand early childhood education, offer free tuition at community colleges, expand Pell grants, expand the EITC for childless workers, and expand the Child and Dependent Care Tax Credit (CDCTC)—among other provisions. We focus only on the AFP CTC in this paper because 1) on its own it would represent a transformational change for the U.S. safety net and 2) the other provisions of the American Families Plan cannot be modeled as precisely.

married filers. The $2,000 credit would still be available to higher-income tax filers for whom the incremental CTC has fully phased out but were eligible for the CTC under TCJA. See Appendix Table A1 for the full set of parameters under the TCJA CTC and AFP CTC.

In addition to changing benefit amounts, the CTC expansion would be administered differently (assuming it follows the rules for the CTC implemented under the American Rescue Plan Act). Families would receive CTC payments on a monthly basis (as they currently do for most means-tested programs), and they could update eligibility information (e.g., the birth of a new child) throughout the year.

Changes in Work Incentives Due to the CTC Expansion

By making the CTC fully refundable, the expansion under the AFP would eliminate the work incentives of the pre-existing TCJA credit. We focus on the return to work—what is relevant for the work participation decision—because the literature on labor supply for low-income families, particularly single mothers, has focused on the work/non-work decision and found it to be highly responsive to tax incentives. The return to work is equal to earnings net of taxes and reduced transfer benefits when an individual moves from not working to working. The return to work would be lower under the AFP because families with no earnings would receive the full CTC benefit, whereas under TCJA such families would receive no CTC benefit.

To be precise, the change in the return to work due to the CTC reform can be written as the return to work under the AFP minus the return to work under TCJA, where the return to work under a given policy is equal to income given current earnings E^* (or more generally the earnings an individual would receive if she chose to work) minus income with zero earnings:

$$
\begin{aligned}
&Change\ in\ Return\ to\ Work \\
&\qquad = \underbrace{[Income_{AFP}(E^*) - Income_{AFP}(0)]}_{Return\ to\ work\ under\ AFP} - \underbrace{[Income_{TCJA}(E^*) - Income_{TCJA}(0)]}_{Return\ to\ work\ under\ TCJA}
\end{aligned}
$$

Since the CTC reform does not affect tax liability or transfer benefits,.[4] all non-CTC components of the return to work are the same under the AFP and TCJA and thus drop out of the expression above. We can therefore rewrite the expression as:

[4] Because the non-refundable portion of the TCJA CTC is applied *after* the Child and Dependent Care Tax Credit (CDCTC) and Credit for Other Dependents (ODC), the fully refundable AFP CTC would not enable the individual to

$$Change\ in\ Return\ to\ Work = [CTC_{AFP}(E^*) - CTC_{AFP}(0)] - [CTC_{TCJA}(E^*) - CTC_{TCJA}(0)]$$

For most individuals, the CTC under the AFP does not depend on earnings and so $CTC_{AFP}(E^*) = CTC_{AFP}(0)$. Also, $CTC_{TCJA}(0)$ can be assumed in most cases to be zero, because one needs positive earnings (or positive tax liability from unearned income) to receive the TCJA CTC. Thus, the decrease in the return to work for most working parents is simply the amount of the TCJA CTC given current earnings, $CTC_{TCJA}(E^*)$.

Figure 2 illustrates the TCJA CTC benefit schedule—equaling the decrease in the return to work due to the CTC expansion—for a single parent with two children under age 17. Her return to work falls by $2,000 if she currently earns approximately $16,000. Her return to work falls by $4,000 if she currently earns $31,000. For comparison, Figure 2 also shows how another tax credit, the EITC, affects the return to work for the same family type. The EITC is widely recognized to encourage work, doing so by increasing the share of single parents who work at least some hours in a year (Hotz and Scholz 2003; Nichols and Rothstein 2016). Beyond a low earnings level, the subsidy to work under the TCJA CTC that would be lost with the reform is a substantial share of the EITC subsidy, finally exceeding the EITC subsidy at just under $30,000 of earnings. The TCJA CTC subsidy to work remains flat at $4,000 as income rises, while the EITC subsidy falls and reaches zero at $47,440. Others have noted the common feature of the EITC and CTC in encouraging work among parents (e.g., Holt and Maag 2009; Greenstein 2015; Hoynes and Rothstein 2016; Moffitt 2016).

As shown in Appendix Figure A1, the decrease in the return to work is higher for individuals on the phase-out portion of the AFP CTC such that $CTC_{AFP}(E^*) < CTC_{AFP}(0)$. In the case of a single parent with two children, the incremental CTC amount under the AFP phases out at earnings levels between $112,500 and $164,500, at which point the AFP CTC reverts to the TCJA CTC amount. At this point, $CTC_{AFP}(E^*) = CTC_{TCJA}(E^*)$, and so the change in the return to work is the full AFP CTC benefit when not working, i.e., $CTC_{AFP}(0)$. This amount is equal to $6,600 for a single parent with two children aged 5 and 10.

claim an additional amount of these non-refundable credits. The AFP CTC does not affect benefit determinations for transfer benefits.

To see the change in work incentives for the entire distribution of working parents in the United States with annual earnings up to $100,000, Figure 3 (solid line, top panel) shows the average percent change in the return to work due to the CTC expansion for working parents with different levels of earnings. For each working parent, we calculate the percent change in the return to work as the change in the return to work due to the CTC expansion divided by the return to work under TCJA. We then calculate the mean percent change in the return to work over all working parents in each earnings bin. Here we are averaging over families of different sizes and with different ages of children, and we are accounting for other government benefits (namely SNAP) that individuals receive. As an example, the CTC expansion would decrease the return to work by 10% for workers with earnings between $30,000 and $40,000. For comparison, Figure 3 (dashed line, top panel) shows the percent change in the return to work due to hypothetically eliminating the EITC, which is the actual EITC benefit received by the worker divided by the return to work under TCJA. For example, eliminating the EITC would decrease the return to work by 8% for workers with earnings between $30,000 and $40,000. We also show, in the lower panel, the total number of workers with children in tax units in the different earnings ranges.

While eliminating the EITC would create stronger work disincentives for working parents with the lowest earnings, work disincentives from the CTC expansion would nonetheless be important for low earners. The work incentives of the TCJA CTC are 40% percent of EITC work incentives for those with earnings between $10,000 and $20,000 (representing 9% of all working parents), and 65% of EITC incentives for those between $20,000 and $30,000 in earnings (representing another 9% of all working parents). For working parents with earnings above $30,000, the CTC expansion's work disincentives would be greater than those due to eliminating the EITC. For those with earnings between $30,000 and $40,000 (representing 9% of all working parents) and those between $40,000 and $50,000 (representing 7% of all working parents), the CTC incentives are 30% and 203% higher than the EITC incentives, respectively. Among the 39% of working parents with earnings below $50,000, the CTC incentives are 62% of the EITC incentives, and among the 66% of working parents with earnings below $100,000, the CTC incentives are 88% of the EITC incentives. In sum, if one believes that eliminating the EITC would substantially reduce employment by reducing the return to work, then the CTC expansion should substantially reduce employment for the same reason.

3. Data

We use the 2017 Current Population Survey Annual Social and Economic Supplement (CPS ASEC) for our survey-only analyses. Fielded between February and April 2017, the 2017 CPS ASEC asks respondents about incomes received during calendar year 2016. We do not use a more recent version of the CPS ASEC due to the wider availability of administrative data sources for calendar year 2016. The CPS ASEC contains a wide variety of questions on income sources and amounts, and it includes an extensive set of demographic information on respondents that is unavailable in most administrative sources. The Census Bureau uses the CPS ASEC to produce its annual official poverty measure, supplemental poverty measure, and historical median income series (Fox and Burns 2021; Shrider et al. 2021). Other simulations of the AFP CTC have also relied on the CPS ASEC.

For the CID-based simulation, we link the 2017 CPS ASEC to a large set of administrative data sources at the individual level. The linked data improve the accuracy of measures of earnings, pension income, Social Security benefits, cash welfare, food assistance, housing assistance, and taxes. Administrative data on earnings come from individually linked Internal Revenue Service (IRS) Forms 1040s and W-2s, as well as the Social Security Administration's Detailed Earnings Record (DER). Given the incompleteness of the administrative records in capturing all earnings sources such as off-the-books work, we take the higher of earnings amounts in the DER, W-2s, and 1040s and continue to use survey earnings that exceed combined administrative earnings if they reflect earnings that are plausibly missed in the tax records.[5] We also obtain more accurate values of asset income and retirement income from IRS Forms 1040s and 1099-Rs, which we use to directly replace survey values. Furthermore, we are able to use values of Adjusted Gross Income (AGI) from IRS Forms 1040 to provide a lower bound for other sources of money income such as Unemployment Insurance, child support, and alimony.

Because we observe tax units, claimed dependents, and AGI—among other relevant tax inputs—we can accurately impute federal and state income tax liabilities and payroll tax liability. We use NBER's TAXSIM calculator to impute taxes using the precise inputs provided on tax

[5] Specifically, we bring in survey earnings if they are not imputed, if employment characteristics (hours/weeks worked, industry of job, job occupation, and employer size) are not imputed, and if one of the following conditions holds: 1) earnings are missing across all tax records, 2) the number of survey-reported employers exceeds the number of employers in the tax records, 3) the survey respondent reports being self-employed, or 4) the survey respondent reports working for a small employer. Prior work has found that these situations constitute a minority of cases where survey earnings exceed administrative data earnings (Meyer, Wu, and Medalia 2020).

forms. The linked tax data help to correct for large survey errors in tax liabilities and credits (Jones and Ziliak 2020; Meyer et al. 2020). In the specific context of this paper, we are able to accurately model the proposed CTC expansion by using actual tax unit structure, tax filing status, and AGI from IRS Forms 1040 and the exact birth dates of dependents from the SSA's Numident file (as these factors affect both eligibility and benefits levels of the AFP CTC).

We also link administrative data covering various government program benefits. We link administrative data on Old Age, Survivors, and Disability Insurance (OASDI) from the SSA's Payment History Update System (PHUS) and the Master Beneficiary Record (MBR), and Supplemental Security Income (SSI) from SSA's Supplemental Security Record (SSR)..[6] We link rental housing assistance benefits from the U.S. Department of Housing and Urban Development's (HUD) Public and Indian Housing Information Center (PIC) and Tenant Rental Assistance Certification System (TRACS) data, which cover all mainstream HUD programs—public housing, Housing Choice Vouchers, and project-based assistance..[7] We also link SNAP data from a select subset of states for which we have administrative data, which we use for a subset of the analyses.

We link these data sources using anonymized Protected Identification Keys (PIKs) created by the Census Bureau's Person Identification Validation System (PVS; Wagner and Layne 2014). The PVS maps individuals to PIKs based on Social Security numbers, names, addresses, and dates of birth. Over 99% of administrative records are associated with a PIK, while a lower share of records in 2017 CPS ASEC are associated with a PIK..[8] This allows us to merge in administrative data for the vast majority of the CPS ASEC sample. We drop from the sample any family in which no member has an associated PIK as well as whole-imputed families. We then use inverse probability weighting to scale up the weights of the remaining individuals in the sample who are similar in terms of observable characteristics to dropped individuals..[9]

[6] To expedite Census Bureau review, we do not include administrative values for service-connected disability payments to veterans from the U.S. Department of Veterans Affairs (as we have in other projects).
[7] Since our HUD administrative data do not cover all forms of rental housing assistance—omitting U.S. Department of Agriculture (USDA) programs, the Low Income Housing Tax Credit (LIHTC), and state and local programs—we treat survey respondents reporting housing assistance receipt who not appear in the HUD data as true recipients (and impute amounts based on average benefit amounts by household size, zip code, and year bins from the HUD data).
[8] In the years for which PIK rates have been made publicly available, more than 90 percent of CPS ASEC families and households are PIKed (Meyer and Mittag 2019; Meyer, Wu, et al. 2021; Meyer and Mittag 2021).
[9] In the end, our analysis sample (covering individuals in PIKed and non-whole imputed families) contains 77.3% of all individuals in the original CPS sample.

4. Methodology

We describe our methodology in two parts. First, we describe how we construct baseline income. Second, we describe how we calculate the TCJA CTC (which is a component of baseline income) and the AFP CTC.

Constructing Baseline Income

For the survey-only version of baseline income, we use a post-tax, post-transfer income measure that includes non-medical in-kind transfers—namely, rental housing assistance, SNAP, school lunch, WIC, and energy assistance (all imputed by the Census Bureau). We subtract federal and state income tax liabilities net of tax credits and payroll taxes imputed using TAXSIM based on tax rules under TCJA that did not take effect until 2018.[10] Like other simulations, we assign refundable tax credits including the TCJA CTC based on the tax year for which credits are accrued, rather than the following year when the credits are mostly received. The CID-based version of baseline income uses the same post-tax, post-transfer definition of income, but it also incorporates administrative data whenever available. For income sources for which we do not have administrative data—including Public Assistance (largely Temporary Assistance for Needy Families (TANF) or General Assistance), school lunch, WIC, and energy assistance—we continue to use the survey values.

The sharing unit for both the survey-only and CID versions of baseline income is the Supplemental Poverty Measure (SPM) family unit.[11] We equivalize incomes using the NAS (Citro and Michael 1995) equivalence scale of the form $(A + PK)^F$, where A and K respectively designate the number of adults and children in the family, P is child consumption as a share of adult consumption, and F reflects economies of scale.[12] Because we are interested in the effects of the AFP CTC in 2022 (the first year of its proposed enactment), we use 2016 incomes as a starting point to project 2022 incomes. To do so, we increase market income by the C-CPI-U (the same index used to update thresholds for tax brackets under TCJA) and we increase OASDI and SSI

[10] We subtract neither medical out-of-pocket expenses nor child care and work expenses from income (as the SPM does). Meyer and Sullivan (2012b) find that subtracting medical out-of-pocket expenses leads the SPM to identify a less deprived poor population. While deducting work expenses from resources is a reasonable goal, it is not clear that the imputed values in the CPS ASEC—which are used for the SPM—lead to a poverty measure that better identifies the most disadvantaged.

[11] The SPM family unit includes related individuals, cohabitating unmarried couples, unrelated children under 15, and foster children under the age of 22.

[12] Following Meyer and Sullivan (2012a), we set $P = F = 0.7$ to allow for diminishing marginal costs with each additional individual and a larger cost of adults relative to children.

amounts by the CPI-W (the same index used by rule to update benefit amounts). For most other means-tested benefits, we increase amounts based on changes in scheduled maximum benefits..[13] See Appendix Table A2 for how each specific benefit amount is updated to 2022..[14]

Calculating Tax Cuts and Jobs Act CTC and American Families Plan CTC

In the survey-only version of baseline income, we use the TCJA CTC benefit calculated by TAXSIM on the basis of survey information. We calculate the AFP CTC benefit outside of TAXSIM on the basis of imputed tax unit information in the CPS ASEC, according to the parameters set forth in the American Rescue Plan Act (described earlier). The CID has multiple advantageous features that allow us to more accurately impute both the TCJA CTC and AFP CTC. One important advantage is that we can use the information on 1040s such as AGI, number of claimed dependents, and other items to more accurately calculate credit amounts.

Another advantage of the CID is that it allows us to observe the identities of dependents claimed on 1040s. This enables us to determine the amount of the TCJA CTC or AFP CTC claimed on behalf of each child, even if the child does not live in the same family as the adult who claims them. Previous studies relying only on survey rosters have necessarily assumed that tax units are formed only by people within the family or household, neglecting the possibility of complex families. We calculate that there are 6.1 million children in the 2017 CPS ASEC (8% of all children in the survey) who are claimed on a 1040 by primary and secondary filers who do not appear in the survey family of the child..[15]

Our approach to accounting for complex families is to assume all non-CTC taxes and tax credits are paid or received by the adults in a sharing unit, since they have legal control of the money and in general make the actual payments and receive any refunds. However, in the case of

[13] Technically, benefits will not increase by the same rate as the change in maximum benefits for those receiving less than the maximum benefit. For example, the change in the SNAP benefit for a given family is equal to the change in the maximum benefit minus approximately 0.3 times the change in the family's net income. We instead update by the percent change in maximum benefits for the sake of simplicity and so our multipliers can be shared without relying on the restricted-use microdata.

[14] The total population, child population, and number of working parents will also be different in 2022 than in 2016. If annual growth rates from 2016 to 2020 hold for 2021 and 2022, the total population will be 2.7% higher in 2022 than in 2016 and the child population will be 2.6% lower. The employment to population ratio may be similar depending on the recovery from the COVID-19 induced recession. In January 2016, the employment to population ratio was 59.7%, and by August 2021 it had recovered to 58.5% after hitting a trough of 51.3% in April 2020. Accounting for changes in the number of children would decrease our estimated number of children lifted out of poverty by 2.6%, and accounting for changes in the number of working parents could slightly increase or decrease the number of working parents exiting the labor force depending on employment trends into 2022.

[15] We also frequently observe surveyed adults who claim on their 1040s children outside of the survey family, though we do not observe survey weights for these children because they are not generally in the survey.

the CTC, we associate dollars with the children on whose behalf the credits are claimed. An advantage of this approach is that the surveyed children are those for whom we have the most detailed information from both survey and linked administrative data, and they are appropriately weighted. A disadvantage is that all CTC benefits claimed on behalf of children who appear outside of the survey frame (e.g., living abroad, in institutions, etc.) would not be captured in our simulations. However, it is worth noting that existing research—without the benefit of the CID—also misses those children and implicitly assumes that all dependents in a survey can only be claimed by individuals in their family. We improve on existing research by assigning the correct value of the CTC based on the 1040 on which dependents are actually claimed (and whose primary/secondary filers may or may not appear in the survey). In Appendix A, we describe our methodology for allocating CTC benefits to complex families—in cases where surveyed adults claim children outside of the surveyed adult's family, and in cases where surveyed children are claimed by adults outside of the surveyed child's family..[16]

A final issue for calculating AFP CTC amounts is that not all eligible families may take up the credit. We assume all tax filers claim the AFP CTC because they automatically receive the payments..[17] Eligible non-filers do not automatically receive AFP CTC payments, but we may expect a high rate of take-up. Benefit amounts are relatively high and eligibility rules are simple and transparent. Receipt of the AFP CTC (based on the rules of the AFP CTC under the American Rescue Plan Act) does not require filing taxes and requires no documentation..[18] There is likely to be little stigma associated with the CTC expansion because the vast majority of families in the U.S. receive the benefit. Nonetheless, there may be information frictions that could diminish take-up especially in the early years of the AFP CTC, which have been found in other programs (Daponte, Sanders, and Taylor 1999; Manoli and Turner 2014; Armour 2018).

We assume a baseline take-up rate among non-filers of 75%. This reflects the expectation of high take-up of the AFP CTC in its second year of existence (following the temporary increase

[16] An alternative approach would be to add non-surveyed dependents listed on the tax returns of a surveyed adult to the surveyed adult's sharing unit. This approach has some merit. However, we would bring in the CTC for children who are not in the survey, while dropping those in the survey who appear on the returns of someone outside the survey unit. This would effectively be building a new frame of children based on a hybrid of survey and tax information that would make our results hard to compare to survey-based estimates. Such a hybrid frame would require new ways of conceiving the sample and possible new weights that would rely on assumptions that are difficult to verify.

[17] For the CID-based simulation, non-filers are those families to whom we (i) do not a link a 1040 and (ii) do not simulate a nonzero tax liability or have refundable tax credits of at least $500 (using survey information).

[18] The signup form can be completed online and requires only minimal information—name, mailing address, email address, date of birth, and Social Security numbers for the adult and dependents. See Appendix Figure A2 for an image of the sign-up website for the expanded CTC under the American Rescue Plan Act.

in the CTC in 2021), but also that take-up may rise over time. We also show our total and child static poverty effects under other assumptions on the take-up rate, including 0%, 25%, 50%, and 100%. For reference, take-up of the EITC is estimated to be 78% (Internal Revenue Service 2021c), and take-up of SNAP is estimated to be near complete among families eligible for the full SNAP benefit (Vigil 2019), which is similar in magnitude to the incremental CTC benefit for families with little income (Appendix Figure A3). In addition, Acs and Werner (2021) assume a 78% take-up rate among non-filers who also do not receive SSI or OASDI benefits. Other simulations of the CTC expansion (Collyer, Wimer, and Harris 2019; Collyer et al. 2021; Congressional Research Service 2021; Marr et al. 2021) assume 100% take-up among non-filers (see Appendix Table A3). Our incomplete take-up assumption also accounts for the relatively small number of unauthorized immigrant children in the CPS ASEC who are not eligible for the AFP CTC, and thus should not be assigned AFP CTC benefits..[19]

5. Static Results

In this section, we report a series of results on the static effects of the CTC expansion. We start by reporting aggregate CTC recipients and dollars. We then report the effects of the AFP CTC on poverty rates (as well as deep and near poverty rates) for the full population and child population, providing a baseline for our dynamic simulation. Finally, we analyze how the anti-poverty effect of the CTC expansion compares to those of existing programs, as well as its targeting to different groups based on income and various well-being measures.

Aggregate CTC Recipients and Spending

Table 1 reports the number of recipients and aggregate benefit dollars for the TCJA CTC and AFP CTC. While our simulation year is 2022, we first compare benefit dollars under the TCJA CTC in 2018 based on the CID to the administrative total from the IRS Statistics of Income (SOI) report. A comparison of our total CID-based benefit dollars with total SOI dollars provides a check on the accuracy of our CID-based estimates. According to the SOI report, $117.7 billion of CTC benefits were paid out for tax year 2018. We estimate that $110.2 billion of CTC benefits were

[19] A Pew study estimates that there are 675,000 unauthorized immigrant children in the U.S. in the CPS ASEC (Passel and D'Vera 2018). Using the CID-based CPS ASEC, we find that there are 473,000 weighted children under age 18 who are (i) not linked to a Social Security number, (ii) Hispanic, (iii) not a citizen, and (iv) born outside of the United States who are covered by the survey.

paid out to the CPS ASEC universe based on the CID, constituting 94% the SOI aggregate. This difference is likely explained by our estimate that the CPS captures approximately 95% of all children who can be claimed as a dependent on a 1040. The deviation from 100% can be mostly explained by children who are living abroad (and thus not in the CPS survey frame) or not represented in the CPS ASEC population benchmark due to an undercount of the non-institutionalized population.[20]

The other panels of Table 1 update incomes for 2022 and report the number of recipients and benefit dollars under the TCJA CTC, the AFP CTC, and their difference (the incremental CTC). Based on the CID, we find that expanding the CTC increases the number of children living in a family receiving any CTC benefit by 4.4 million. The expansion also increases total benefits paid by \$101.3 billion (from \$111.8 billion under the TCJA CTC to \$213.1 billion under the AFP CTC). The increase in spending due to the CTC expansion is \$3.0 billion higher under the CID than under the survey-only simulation.

Static Poverty Reduction Effects of Expanding the CTC

We next estimate the poverty reduction effects of expanding the CTC without accounting for behavioral effects. We set our poverty threshold such that 13.7% of the child population under the TCJA CTC in 2022 is in poverty (i.e., we set the threshold equal to the 13.7th percentile of equivalized family income among children). We choose 13.7% because it is the baseline child poverty rate used for simulations of the CTC expansion in several other studies, and because it was the child poverty rate according the Supplemental Poverty Measure in 2018.[21] To maintain the same 13.7% share of children in poverty at baseline in both simulations, the poverty threshold for a family of four using the CID is \$37,890—14% higher than the \$33,229 poverty threshold using the survey data only. The higher threshold using the CID reflects underreporting of income in the survey data. The static effect of the CTC expansion on poverty is equal to the percent of the poor population whose income is raised above the poverty thresholds after incorporating the AFP

[20] See Appendix B for more information on the discrepancy between the number of children represented by the CPS ASEC and the number of children who can potentially be claimed as a dependent for purposes of the CTC—and the implications for our aggregate estimates of CTC spending.
[21] We do not geographically adjust thresholds across areas, recognizing that high housing costs in some areas can reflect higher quality amenities such as higher quality schools, better transportation, and health care (Meyer, Wu, and Curran 2021).

CTC in family income. We also consider effects on deep poverty (below 50% of the poverty threshold) and near poverty (below 150% of the poverty threshold).

Table 2 reports poverty effects of expanding the CTC for both the full population and the child population. Using the CID, the overall poverty rate falls from 10.8% to 9.0%, a 17% reduction. Child poverty falls from 13.7% to 9.1%, a 34% reduction. Using the survey data only, overall and child poverty fall by 16% and 34%, respectively. The similarity of the CID and survey-only results are consistent with the similar increases in aggregate spending across the two approaches seen in Table 1. Deep poverty—for which the CID-based threshold is $18,945—falls by 39% among all children (Table 3). On the other hand, near poverty—for which the CID-based threshold is $56,835—falls by 11% among all children (Table 3).

Despite raising poverty thresholds 40 percent above official thresholds when using the CID, it is worth noting that the baseline level of deep child poverty remains strikingly low at 2.3%. It is on this low baseline rate that we estimate a 39% reduction in deep child poverty as a result of the CTC expansion. The low levels of deep poverty are a direct result of improvements in the measurement of income, which include using administrative data to correct errors in survey reports of income and broadening the resource measure to account for tax liabilities and credits as well as non-medical in-kind transfers. These adjustments lead to considerably fewer children in the left tail of the income distribution—echoing the findings in Meyer, Wu, et al. (2021), who find sharp reductions in the prevalence of extreme poverty (defined as $2/person/day) after various improvements to the measurement of income. Notably, the low level of deep child poverty persists despite excluding administrative values for income sources such as SNAP and TANF, which are targeted to families with children and heavily underreported in the survey.

We consider the robustness of our static poverty reduction estimates to alternative assumptions of take-up of the AFP CTC among non-filers (Appendix Table A4). At one extreme, the child poverty reduction grows from 34% to 36% after assuming that all non-filers take up the AFP CTC. At the other extreme, child poverty would still fall by 30% even if no non-filers take up the AFP CTC. Thus, while the poverty reduction effects vary based on the take-up assumption, they are in a fairly tight range and the overall effects would be large regardless of the ultimate take-up rate. Finally, because our survey-only results differ from those of several other studies simulating the same CTC expansion (Acs and Werner 2021; Brill, Pomerleau, and Seiter 2021; Congressional Research Service 2021; Marr et al. 2021), we assess the extent to which different aspects of our methodology drive the differences. When we make methodological decisions closer in line with these studies in our survey-only analysis, we find percent reductions in child poverty within 2 to 3 percentage points of their estimates (see Appendix Table A5 for our results when adopting the methodological assumptions of other studies).[22] The differences are mostly a result of our updating income values to 2022 and accounting for incomplete take-up of the AFP CTC among non-tax filers.

Static Anti-Poverty Effects of the Incremental CTC Compared to Existing Programs

Next, we compare the anti-poverty effects of the incremental CTC to those of existing programs. To put all programs on an equal footing, we consider a new baseline in which the AFP CTC has already been enacted and then simulate how much poverty would increase if a particular program were eliminated. In this case, the anti-poverty effect of each program is equal to the percent *increase* in the number of individuals with incomes falling below the poverty threshold after removing a particular program. This calculation indicates the extent to which a program prevents individuals from falling into poverty.

The incremental CTC, if enacted, would become the most important anti-poverty program for preventing child poverty (Figure 4). Reverting from the AFP CTC back to the TCJA CTC would increase child poverty by 51%.[23] Eliminating the second most important program, the EITC, would increase child poverty by 42%. Eliminating SNAP would increase child poverty by 33%. Anti-poverty effects of rental housing assistance, SSI, DI, OASI, and Public Assistance are smaller. The incremental CTC would also become the second most important program for preventing overall poverty: Reverting back to the TCJA CTC would increase overall poverty by 20%, while eliminating OASI would increase overall poverty by 57%.[24] If we were to account for changes in labor supply in these calculations, the anti-poverty effect of the incremental CTC, SNAP, and other means-tested programs would likely be lower, because they discourage

[22] To compare our results to those in other studies, we make several changes to our methodology that include (i) assuming a 100% take-up rate, (ii) not updating incomes to 2022, (iii) subtracting medical out-of-pocket expenses, child care, other work-related expenses, and child support paid, and (iv) using SPM thresholds scaled up to produce the same baseline child poverty rate as the study in question. The latter two changes are based on the use of the SPM by these other studies. See Meyer and Sullivan (2012b) and Burkhauser et al. (2021) for a discussion of the shortcomings of the SPM for accurately measuring poverty.

[23] This estimate contrasts with the 34% decrease in child poverty (as a result of the CTC expansion) that we previously calculated, since it is estimated on an income base that includes the AFP CTC (whereas the previous effect is estimated on an income base that includes only the TCJA CTC). As a result, the 51% effect is approximately equal to 0.34 divided by 1 minus 0.34.

[24] Appendix Table A6 reports the values represented in Figure 4.

employment. The anti-poverty effect of the EITC and the existing CTC may be higher, because they encourage employment on the extensive margin.

While the incremental CTC would have a larger anti-poverty effect among children than any other means-tested program, it would do so in the least cost-effective way (see Appendix Table A7). Costs are measured solely in terms of total benefit dollars paid out and do not include administrative costs, which tend to be lower for programs that are administered through the tax system (like the EITC and CTC)..[25] The incremental CTC pays out $29,680 to families with children per child lifted out of poverty, compared to $15,655 for SNAP, $20,636 for the EITC, $25,504 for SSI, and $24,863 for housing assistance. The incremental CTC is less cost-effective in reducing overall poverty than existing means-tested programs. The incremental CTC pays out $17,602 to all families per individual lifted out of poverty, compared to $12,312 for SNAP, $13,168 for the EITC, $17,575 for SSI, and $16,583 for housing assistance. If we were to account for changes in labor supply, the cost-effectiveness of the incremental CTC and SNAP would likely fall, while the cost-effectiveness of the EITC may rise.

Comparing the CID-based results to those relying only on the survey reveals the importance of using the CID to assess the anti-poverty effects of potential policies. For example, the effect of SNAP on child poverty is 53% higher using the CID than using the survey alone (Figure 4). The effect of the EITC on child poverty is 18% higher under the CID. Thus, the survey data alone overstate the relative merits of the CTC expansion since they understate the poverty reduction of other anti-poverty programs.

Targeting

We also compare the targeting of the incremental CTC to that of existing programs. Again, we use incomes after the AFP CTC is enacted as our baseline (to put all programs on an equal footing). We focus on the incremental CTC (as the most currently relevant decision for policymakers is whether or not to switch from the TCJA CTC to the AFP CTC), but we also report results for the AFP CTC in its entirety and the TCJA CTC on its own. For each program, we calculate the share of all program dollars received by families in (i) each decile of annual post-tax post-transfer income, (ii) each decile of long-term income (five-year average of market income using linked tax records), (iii) different categories of educational attainment levels of the family

[25] At the same time, lower administrative costs may be associated with higher rates of non-compliance given that there are fewer resources available to verify recipient eligibility (see, e.g., Liebman 1998; Meyer 2010).

head, and (iv) different categories of health status of the family head. This analysis allows us to view how each program is targeted on the basis of different measures of well-being.

Figure 5 reports the share of each program's total spending received by families in each decile of the annual income distribution (where deciles are based on income under the AFP CTC so that programs are compared on an equal footing). The incremental CTC distributes a lower share of its dollars to the bottom decile than any existing means-tested program, with the exception of housing assistance: 15% incremental CTC dollars go to families in the bottom income decile, compared to 20% of EITC dollars, 29% of SNAP dollars, and 33% of SSI dollars..[26] The incremental CTC also distributes a smaller share of dollars to families in the bottom half of the distribution (the lowest five deciles) than all other means-tested programs (including housing assistance). Yet, the incremental CTC pays out a larger share of its total dollars to the bottom decile and bottom half of the income distribution than the TCJA CTC. CID-based results differ from survey-only results, with the survey-only simulation indicating that the incremental CTC targets families in the bottom decile more than the EITC (Appendix Figure A4).

We report targeting results based on other measures of well-being in Figure 6 (long-run income), Figure 7 (educational attainment of the family head), and Figure 8 (self-reported health status of the family head). Consistent with the results based on annual income, the incremental CTC is also less targeted to the least well-off families on the basis of these other measures (compared to other means-tested transfers).

6. Dynamic Results Accounting for Changes in Labor Supply

This section incorporates labor supply responses into our poverty estimates, using the CID. The CTC expansion would reduce the incentive to work for most workers with children. Under the TCJA CTC, workers receive up to $2,000 per child only if they work or have a nonzero federal tax liability due to income from other sources. Under the AFP CTC, workers receive no *additional* benefit amount as a result of working. In addition to reducing the return to work, the CTC expansion would increase family incomes, further reducing employment through an income effect. Due to the resulting reduction in employment (and its impact on family income), we estimate that some families will be added to poverty rolls in our dynamic simulation of the AFP CTC.

[26] The estimates for SNAP are calculated using the subset of 14 states for which we have linked administrative data on SNAP.

Changes in Labor Supply

To estimate the reduction in labor force participation due to the CTC expansion, we apply work participation elasticities from the literature, which indicate the percent change in the probability of participation due to a one percent change in the return to work. Letting ϵ denote the participation elasticity, the percent change in the probability of working is equal to ϵ times the percent change in the return to work. We consider the work decisions of each tax unit with at least one current worker and at least one dependent child under the age of 18.

We start by calculating the percent change in the return to work for each tax unit, which is the change in the return to work due to the CTC expansion divided by the current return to work under the TCJA CTC. The change in the return to work is the incremental CTC benefit when working at the current earnings level minus the incremental CTC benefit when not working (as described in Section 2). The current return to work under the TCJA CTC is current earnings minus the additional tax liability accrued due to working minus the transfer benefits lost due to working.

To calculate the percent change in the probability of working for each tax unit that is currently working, we multiply the percent change in the tax unit's return to work by the relevant elasticity for the tax unit. We apply an elasticity of 0.75 for single mother tax units currently receiving the EITC and 0.25 for all other tax units. The 0.75 elasticity for single mother tax units receiving the EITC is equal to the midpoint of the 0.3 to 1.2 range recommended for EITC-eligible workers based on the literature review relied on by the CBO (McClelland and Mok 2012)..[27] The 0.25 elasticity is consistent with those used by other simulation models and the academic literature (Congressional Budget Office 2012; Chetty et al. 2013)..[28] As we show later, our elasticity assumptions produce employment effects consistent with the NAS (2019) simulation of an expansion of the EITC.

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[27] In reviewing the literature on EITC expansions during the 1990s, Nichols and Rothstein (2016) note: "Given the clear patterns in the 1990s, it is not surprising that studies based on the 1993 expansion indicate that the EITC raises single mothers' employment rates. Meyer and Rosenbaum (2001) find that this expansion raised single mothers' annual employment rates by 3.1 percentage points, over one-third of the total increase relative to single childless women between 1992 and 1996. This implies an extensive-margin labor supply elasticity around 0.7."

[28] The Penn Wharton Budget Model assumes a baseline labor supply elasticity of 0.50 (combining participation and hours). CBO (2012) recommends a labor supply elasticity of between 0.22 and 0.32 for primary workers across all earnings deciles and secondary workers altogether. In a meta-analysis, Chetty et al. (2013) conclude: "The estimates in table 1 should therefore be interpreted as a rough guide to plausible targets for calibration: they suggest that extensive margin elasticities around 0.25 are reasonable, while values above 1 are not." We also show sensitivity results with each combination of the following elasticities: 0.5, 0.75, and 1.2 for EITC recipient tax units and 0.05, 0.25, and 0.45 for non-EITC recipient tax units.

In addition to the effects of a decreased return to work, the increase in incomes due to the CTC expansion would be expected to further reduce labor force participation through an income effect. To estimate the reduction in labor force participation due to higher incomes, we apply elasticities that indicate the percent change in the probability of participation due to a one percent change in income. We follow NAS (2019) in their simulation of a child allowance, which uses an elasticity of -0.085 for single-mother tax units. We assign an elasticity of -0.05 for all other tax units..[29] We multiply these elasticities by the increase in income due to the CTC expansion divided by income under the TCJA CTC for the tax unit's family.

To estimate the total number of current workers exiting the labor force due to the CTC expansion, we multiply each individual worker's weight in the CPS ASEC by the percent change in the probability of the worker exiting the labor force, either due to the decrease in the return to work or to higher incomes. We sum these products over all workers with children in the CPS ASEC to estimate the number of current workers exiting the labor force. See Appendix C for further details of our methodology.

We report changes in work incentives and employment for workers based on the earnings of their tax unit, in intervals of $10,000. We estimate that there were 56 million adults with children who worked during the year and were a member of a tax unit with nonzero earnings (Appendix Figure A5). Of those adults, 23% (13 million) had tax unit earnings of less than $30,000, and 43% had tax unit earnings of between $30,000 and $100,000. For workers with earnings between $30,000 and $100,000, the mean return to work falls by approximately $2,900 to $3,300 (Appendix Figure A6). For workers with earnings below $30,000, the return to work falls by less—with cell means between $450 and $2,400—because their TCJA CTC benefit had not yet fully phased in. Notably, the binned estimates of the decrease in the return to work that we empirically estimate using the CID align closely with the changes in the return to work across current earnings calculated for a hypothetical family in Appendix Figure A1..[30]

[29] NAS (2019, p. 431) assumes an employment elasticity with respect to income of -0.05 for men and -0.12 for married women. Because we conduct our analysis at the tax unit level, we take the lower -0.05 estimate to model joint decisions to exit the labor force. NAS (2019, p. 545) reports an income elasticity of 0 for men in its simulation of child allowances—it is not clear whether the 0 elasticity reported on page 545 or -0.05 elasticity reported on page 431 was ultimately used.

[30] We would not necessarily expect the levels of the return to work in Appendix Figures A1 and A6 to be equal because the hypothetical assumed two children. The changes, however, should be roughly similar if there are not large differences in the number of children across earnings bins.

The extent to which the decrease in the return to work affects labor supply depends on the baseline return to work. If the baseline return to work is lower, a given decrease in the return to work will reduce labor supply more. Appendix Figure A7 shows the percent decrease in the return to work due to the CTC expansion, relative to the baseline return to work under the TCJA CTC. Workers with earnings between $0 and $30,000 face a mean percent decrease in the return to work between 7% and 10%. The percent decrease in the return to work falls as earnings rise beyond $30,000, reflecting the higher baseline return to work (in dollars) for those with higher earnings.

We multiply the percent change in the return to work by the relevant labor supply elasticity for each worker (0.75 for single mother EITC recipients and 0.25 for all other workers with children), and we multiply the percent change in income by the relevant income elasticity (0.085 for single mother EITC recipients and 0.05 for all other workers with children). As a result of the CTC expansion, we estimate that employment falls by 1.46 million workers, representing 2.6% of all working parents. Workers with earnings below $50,000 account for 72% of the employment loss (Appendix Figure A8). Most the of the employment reduction (1.32 million) is the result of the substitution effect from a decreased return to work. The remaining portion (0.14 million) is the result of the income effect from increasing incomes of working families. Table 4 reports employment reductions under other labor supply elasticity assumptions.

We do not account for the reduction in work hours among current workers who continue working under the CTC expansion. Since the implicit marginal tax rate rises for workers on the phase-in portion of the TCJA CTC, there will likely be a reduction in hours worked among those who continue to work. Whereas the TCJA CTC rewards an additional dollar of earnings with approximately $0.15 of benefits for these workers, the AFP CTC provides no reward for an additional dollar of earnings. We estimate that 10.4 million workers on the phase-in portion of the TCJA CTC face on average a 14.6 percentage point increase in their implicit marginal tax rate due to the CTC expansion (Table 5)..[31] Not accounting for reductions in earnings of these workers facing higher implicit marginal tax rates will lead us to understate poverty in our dynamic simulations. The implicit marginal tax rate also rises for workers on the phase-out portion of the incremental CTC. Because the incremental CTC phases out at a 5% rate, the implicit marginal tax rate of these workers rises by 5 percentage points. However, the hours reductions of these workers

[31] See Appendix D for our methodology for these estimates.

are unlikely to lead their families into poverty because the phase-out begins at $112,500 of AGI for head of household tax units and $150,000 for married tax units filing jointly.

Incorporating Labor Supply Reductions into Poverty Simulations

We next incorporate the earnings losses resulting from the labor force exit of 1.5 million estimated workers into our estimates of the overall and child poverty rates under the AFP CTC. To do so, we adjust post-tax, post-transfer incomes for the families of current workers who exit the labor force. We subtract earnings, reduce tax liabilities, and add transfer benefits resulting from the reduction of earnings, while also recalculating the AFP CTC amount based on the reduction in AGI due to lost earnings. Finally, we estimate the number of individuals and children whose (adjusted) equivalized post-tax, post-transfer family income falls below the poverty threshold ($37,890 for a two-parent, two-child family) and deep poverty threshold ($18,945). See Appendix C for a detailed methodology.

Table 6 reports the overall and child poverty rate after accounting for labor supply reductions. Under the TCJA CTC, the child poverty rate was anchored to 13.7%. The CTC expansion reduces the child poverty rate to 10.8%, a 22% decrease, based on our dynamic simulation. By comparison, the CTC expansion cut child poverty by 34% based on our static simulation. Thus, accounting for changes in labor supply induced by the CTC expansion cuts the static child poverty reduction by over a third. Table 6 also reports results for deep poverty. The CTC expansion does not reduce deep poverty among children in our dynamic simulation, eliminating the entire 39% static estimate of the deep poverty reduction. Deep poverty among the overall population also does not fall under our dynamic simulation, compared to the 15% static estimate. These findings on deep poverty can be explained by the inability of AFP CTC benefits and SNAP benefits by themselves to lift a family over half of our poverty line. For example, a single parent with two children would receive between $6,000 and $7,200 from the AFP CTC and about $7,000 in SNAP benefits, less in total than the $18,945 deep poverty threshold.[32]

[32] We do not model newly obtained housing assistance or TANF for families experiencing employment loss because they are not entitlement programs. Some newly poor families may eventually obtain benefits from these programs which could lift them out of deep poverty.

7. Discussion

This section puts our results in perspective. First, we discuss the plausibility of our estimate of 1.5 million workers exiting the labor force—to do so, we compare our estimates to the estimated effects of the EITC in NAS (2019), the effects of welfare reform in the 1990s, and other research bearing on the sensibility of our labor supply estimates. Second, we briefly discuss the NAS committee's omission of the main labor supply effect when modelling the replacement of the CTC with a child allowance, and their inclusion of income effect estimates which are similar to ours. Third, we discuss the targeting of the AFP CTC. Fourth, we discuss some caveats and unaccounted for factors that could lead our estimates to overstate or understate effects on poverty or work effort. Fifth, we mention some long-run effects that would enter an overall evaluation of the CTC expansion.

Plausibility of Labor Supply Estimates

We start by discussing the plausibility of the estimated 1.5 million person decline in employment from replacing the TCJA CTC with a child allowance akin to a universal basic income for families with children. NAS (2019) does not account for the decrease in the return to work when modeling the replacement of the CTC with a child allowance that shares the basic features of the AFP CTC (a \$3,000 annual per child payment for all low and middle income families). However, NAS (2019) simulates an expansion of the EITC that changes work incentives in a similar manner and for a similar population as the AFP CTC. In their case, they are looking at an increase in work incentives while the CTC expansion would do the reverse. NAS simulates a policy that would expand the EITC by increasing all federal payments by 40%. In this case, NAS (2019) accounts for the decision to work at all and estimates that the increase in the return to work from the EITC expansion would bring 771,000 new parents (single mothers) into employment (p. 495)..[33] If increasing the EITC by 40% would bring 771,000 new parents into employment, then—by symmetry and linear extrapolation—eliminating the existing EITC would be expected to lead 1.9 million workers to exit employment..[34] Applying the same elasticities as those used for our

[33] It appears that NAS (2019) estimates that approximately 200,000 current workers would stop working due to the EITC expansion they model (p. 490, p. 495). However, in our EITC simulation (which is solely intended to benchmark our estimates of the change in the return to work), we do not account for the income effect and higher marginal tax rates on the EITC phase-out. To to make the estimates comparable, we do not account for this effect in our calculations.
[34] If there are decreasing returns to incentives to participate in the labor force, then the decrease in employment would be even greater.

simulation of the CTC expansion, we estimate that eliminating the existing federal EITC would reduce employment by 1.7 million workers. Since our EITC employment loss estimates are slightly smaller than those of NAS (2019), we may expect that NAS would obtain a slightly larger effect than our AFP CTC estimates if it incorporated the decrease in the return to work from eliminating the TCJA CTC.

The relative similarity of our estimates of the employment effects of the CTC expansion and elimination of the EITC illuminates the common feature of the EITC and TCJA CTC in encouraging work. As shown in Figure 3, the EITC more strongly encourages work than the TCJA CTC for parents with earnings up to $30,000, while the TCJA CTC more strongly encourages work than the EITC for parents with earnings above $30,000. The somewhat smaller employment reduction from the CTC expansion—despite the inclusion of an income effect that does not apply when eliminating the EITC—is a result of greater responsiveness to the changed work incentives at low earnings levels. However, work incentives of the TCJA CTC are still substantial even for those with low earnings and have important effects for those with earnings above $30,000 as well.

The employment decrease we estimate is also consistent with the rise in employment among single mothers during the welfare reforms of the 1990s. Between 1990 and 1999, the employment of single mothers rose by 1.2 to 1.4 million people (Han, Meyer, and Sullivan 2021)..[35] Welfare reform had many features, but the two most salient were the expansion of the EITC which increased the financial return to working, and the elimination of unconditional cash aid under the TANF program. The CTC expansion incorporates these two main features of welfare reform, but in the opposite direction, reducing the financial return to work and providing unconditional cash aid to an even larger group than the original Aid to Families with Dependent Children (AFDC) program.

To interpret the applicability of the experience of welfare reform to the CTC expansion, it is helpful to scale the relative size of the changes in work incentives and unconditional aid. In 1990, AFDC provided aid to 3.8 million adults and their children (U.S. Department of Health and Human Services 2004a), but the number had declined to 1.9 million by 1999 (U.S. Department of Health and Human Services 2004b). Thus, the number of adults receiving aid declined by about 1.9 million. The expanded CTC would reach several multiples of that count, including about 9.6

[35] The range of estimates is due to a choice of whether to control for the education of single mothers (which greatly increased over this period) or not, and if so, what year to use for the base year distribution.

million single parents, excluding cohabiting couples (United States Census Bureau 2020)..[36] Under AFDC, a non-working single parent with two children in 1994 could receive a maximum annual benefit of $8,175 (in 2021 dollars) in the average state (U.S. Department of Health and Human Services, n.d.). In comparison, the CTC expansion would provide between $6,000 and $7,200 of unconditional cash assistance to a non-working single parent with two children. The relative size of the EITC and AFP CTC work incentives were described in Section 2, where we showed that the incentives of the CTC reversed by the expansion are a substantial share of the EITC incentives at very low earnings, and exceed EITC incentives at earnings above $30,000. But that figure for the EITC in 2021 reflects increases in the EITC prior to 1990 to which we cannot attribute the increase in employment of single mothers in the 1990s. In 1990 the maximum credit was already $1,934 (in 2021 dollars) compared to the $5,920 in Figure 2. Thus, the change in the EITC incentives (along with TANF changes) that led to the 1.2 to 1.4 million increase in employment are substantially smaller than the EITC incentives indicated in Figure 2 and more comparable to the AFP CTC work incentives that go in the opposite direction.

A large body of evidence concludes that some combination of EITC expansion and welfare reform was responsible for the large rise in employment among single mothers during the 1990s, beyond the effect of a strong economy (Meyer and Rosenbaum 2001; Grogger 2003). While the bulk of the literature concludes that the EITC expansion played a large role (see Schanzenbach and Strain 2020), some have argued that the shift away from unconditional cash assistance under AFDC was more important (Kleven 2019). Whether thought of as reversing welfare reform or eliminating a program similar to the EITC, the CTC expansion could be expected to reverse most or all of the employment gains of the 1990s.

Going beyond the plausibility of our employment change estimates, the similarity of the CTC expansion to reversing the welfare reforms of the 1990s has implications for the effects of the CTC expansion on poverty. If bringing back unconditional cash aid and eliminating substantial work incentives can be thought of as reversing welfare reform, it might undo the effects of welfare reform on poverty. When one accounts for the underreporting of transfers by either using consumption measures of well-being or relying on broader measures of income, researchers have found that poverty fell and well-being at the bottom rose following welfare reform (Meyer and Sullivan 2008; Winship 2016; Han, Meyer, and Sullivan 2021). Han, Meyer, and Sullivan (2021)

[36] However, it should be noted that the AFP CTC would not bring back the high implicit marginal tax rates that applied to the 1.9 million parents receiving AFDC prior to welfare reform but not after.

finds that low percentiles of the consumption distribution for single mothers rose more than middle or high percentiles. They further find that consumption rose for low-educated single mothers over time, in both absolute terms and relative to comparison groups of highly educated single mothers, single women without children, and married mothers. Future work with the CID could directly examine whether survey income when joined with administrative data for single mothers over this period shows a similar or different changes.

Additional evidence on the plausibility of our labor supply estimates comes from two other studies. Lippold (2019) estimates that when a child turns 17 and thus loses eligibility for the CTC—prior to the more generous TCJA version taking effect—low-income parents' probability of employment falls by 8.4 percentage points, implying a short-run work participation elasticity with respect to the return to work of 1.04. Hamilton et al. (2021) find in a survey based on stated intentions rather than observed behavior that 6.4% of parents likely eligible for the temporarily expanded CTC for 2021 planned to use the credit to "work less or change jobs" (Hamilton et al. 2021)..[37] Of course, it is not clear how these stated intentions will ultimately translate into changes in behavior, but the estimate does not rule out the 2.6% reduction in employment among parents we estimate.

More broadly, evidence of employment reductions has been found in the context of other means-tested programs. As seen in Appendix Figure A3, the incremental CTC (the difference between the AFP CTC and TCJA CTC for each family) is similar in structure to means-tested programs such as SNAP that provide a maximum amount of benefits to those with no income and phase out as income rises. Hoynes and Schanzenbach (2012) estimate that SNAP receipt during the program's rollout in the 1960s and 1970s (then called the Food Stamp program) reduced employment by single women recipients by between 24 and 27 percentage points. While those effects apply to a period of less generosity of other programs, East (2018) estimates that SNAP receipt during the 1990s and 2000s reduced employment of single women immigrants (who on average had 1.3 children in her sample) by 43%. Reductions in labor supply of varying amounts and durations have been found for other means-tested programs, including for housing assistance for which effects are smaller and tend to fade out in the long run (Jacob and Ludwig 2012; Mills et al. 2006; Gubits et al. 2018) and experimental negative income tax programs in the 1970s (Robins 1985).

[37] There were 63 million parents in the United States in 2020, and so 6.4% would represent about 4 million parents.

NAS Modelling of the CTC Expansion

In explaining its modeling of a child allowance, the NAS report notes that a child allowance in its simplest form only has an income effect, i.e., it does not change the return to work. However, the report then applies this reasoning to simulations that involve eliminating either the pre-TCJA CTC or the TCJA CTC..[38] Others have noted that the CTC expansion has a substitution effect, altering the return to work, but have not considered the work/nonwork decision..[39]

Our estimate of the income effect of the CTC is very similar to that of the NAS report, which is unsurprising given that we use the same elasticities. NAS (2019) estimates that a child allowance of $3,000 per child would reduce employment by 149,000 workers, similar to the 138,000 reduction we estimate. The difference likely arises from using a different baseline benefit (NAS uses the smaller pre-TCJA CTC), a different maximum benefit for children aged 0 to 5 (NAS uses $3,000 instead of $3,600), and an earlier phaseout of the child allowance in the NAS simulation.

Targeting of the CTC Expansion

We next discuss the targeting implications of the policy shift from the TCJA CTC to the AFP CTC. By virtue of its large scale—$101 billion in 2022—the incremental CTC would become more important than any means-tested program in preventing child poverty based on a static simulation. At the same time, the cost per person lifted out of poverty would be higher than that of any means-tested program. Relatedly, the incremental CTC would be less targeted to the bottom decile of the income distribution than any means-tested program—including the EITC, which encourages work at the extensive margin. This is not surprising given that the CTC expansion would increase benefits for tax units with adjusted gross income of up to $164,500 for a single parent with two children and at an even higher income level for married parents. At the same time,

[38] While NAS (2019) uses as its baseline the smaller pre-TCJA CTC which offered a maximum payment of $1,000 per child, decreasing the return to work by $1,000 per child is still a significant work disincentive (in alternative estimates, NAS uses the TCJA CTC as its baseline, estimates which similarly do not appear to account for the decrease in work due to the elimination of the existing CTC).

[39] See Winship (2021) and Goldin, Maag, and Michelmore (2021). These authors discuss the substitution effect along the phase-in of the TCJA CTC schedule, but not the participation margin which past work has found to be the important one for this population. Furthermore, the work/non-work decision is affected by more than the phase-in—it is affected by the entire TCJA CTC schedule, even parts that are flat where there is no substitution effect operating on hours worked. While these workers do not face an increased implicit marginal tax rate on an additional dollar of earnings with the CTC expansion, their return to working at all falls.

a more restrictive means test for the expansion would increase work disincentives for working parents relative to the TCJA CTC, as the reduced benefits for middle income families would decrease their return to work further.

Caveats

A few caveats are in order. While our baseline estimate is that employment will decline by 1.5 million adults based on the midpoint of ranges used in past simulations and the central tendency of literature surveys, both lower and higher changes are predicted by other elasticities in the literature. Since we rely on elasticities from the literature rather than estimate a full structural model, we would need other information to allocate the average tendencies implied by elasticities to particular individuals. For example, we do not know whether a one percent decline in average hours implies a ten percent decline for one in ten people or a one percent decline for every worker.

Similarly, we would need a more sophisticated model than the one we employ to consider the separate incentives of both spouses in a couple. These complications are avoided in our modeling of the work/nonwork decisions for single worker families since average tendencies imply probabilistic choices that are easily modeled. As a result, we focus only on the work/nonwork decision, not incorporating the reduction in hours that would be expected for those who remain in the workforce due to the increase in marginal tax rates along the previous phase-in and over the new phase-out of the CTC. This understatement of the work response is likely offset to some extent by our simplified work decision of couples, taking them both to stop working or neither to stop working. In fact, the employment response for couples should be spread across a larger number of families, some of whom would have only one spouse leave the labor market. Since the loss of one out of two low-income earners from a family is likely to lead a family to be below the poverty line but not the deep poverty line, the implication of our simplification is that the child poverty reduction of the AFP CTC has likely been overstated, but the deep child poverty reduction understated. As the large majority of our response comes from single worker families, even assuming no response of dual-earner couples as an extreme would leave intact the large majority of the behavioral response we estimate. At least 83 percent of the families that experience a drop in earnings in our simulations have only one worker and are unaffected by this issue..[40]

[40] This figure is based on public-use data with various simplifying assumptions, as we have not yet disclosed the relevant numbers.

Long-Run Effects

Potential long-run effects of the CTC expansion are important to consider alongside short-run effects. Increased support for low-income children could improve their long-run outcomes. Children's access to food stamps in the 1960s and 1970s led to improved outcomes when they became adults, including higher earnings (though not increased employment), better health, less incarceration and less dependence on welfare programs (Hoynes, Schanzenbach, and Almond 2016; Bitler and Figinski 2019; Bailey et al. 2020). Much of this evidence comes from a period when other safety net programs were much less generous than current aid, so the marginal effects might be lower today. Larger EITC payments for children have increased their educational attainment and their employment and earnings as adults (Bastian and Michelmore 2018). In that case, the policy being examined is a combination of more income and higher employment. The incremental CTC could also affect behavior in less favorable ways, for example by changing rates of marriage or divorce. Some of the most methodologically sound research on this topic has found large effects of unconditional aid on single parenthood (Grogger and Bronars 2001). Consistent with this microdata evidence, the share of children with a single parent stabilized and then reversed after welfare reform, reversing a more than thirty-year trend..[41] Single parenthood has been found to lead, for example, to lower levels of educational attainment and higher incarceration rates of children in the long run (Hoffman and Maynard 2008).

8. Conclusions

In this paper, we simulate the effects of a proposed expansion of the CTC that would increase maximum benefit amounts and also make the full credit available to all low- and middle-income families with children regardless of earnings or tax liability. Absent behavioral responses, child poverty would fall by 34% and deep child poverty would fall by 39%. These static simulations suggest that the incremental CTC—the difference between the AFP CTC and the TCJA CTC—would become the most important anti-poverty program for children in the United States (keeping 3.4 million children out of poverty). However, the poverty reduction would come at a cost of $101 billion in benefit dollars, implying that the incremental CTC would be less effective than other major means-tested programs in keeping children out of poverty per dollar of

[41] See https://www.census.gov/library/stories/2021/04/number-of-children-living-only-with-their-mothers-has-doubled-in-past-50-years.html.

benefits. Relatedly, a smaller share of the incremental CTC would be targeted to families with lower levels of income and well-being.

These static calculations ignore any changes in behavior, in particular employment and hours decisions. The AFP CTC would replace the TCJA CTC—which like the EITC has substantial work incentives—with a program akin to a universal basic income that provides benefits regardless of earnings. Consequently, the expansion would reduce the return to work for most working parents by at least $2,000 per child. Among all working parents with earnings below $100,000, the reduced incentive to work at all due to the CTC reform is 88% as large as the reduced incentive to work at all due to a hypothetical elimination of the EITC. We estimate that the CTC expansion would lead 1.5 million working parents to exit the labor force. The vast majority of the effect (1.3 million) is due to the decrease in the return to work. Our estimate is comparable in magnitude to that implied by a National Academy of Sciences simulation of the EITC and to the change in the employment of single mothers during welfare reform. When incorporating the estimated employment reduction into our poverty simulations, we find that the CTC expansion would reduce child poverty by 22% instead of the 34% reduction we found based on our static simulation. The CTC expansion would not decrease deep child poverty, reversing the 39% reduction we estimated based on a static simulation.

To undertake these analyses, we use the Comprehensive Income Dataset (CID), which links household survey data with administrative tax and program participation records. Relative to prior studies that rely on survey data alone, using the CID allows us to more accurately simulate tax liabilities and credits (using actual tax unit structure and inputs) and provides a more accurate distribution of baseline incomes (which are misreported in the survey data). By providing accurate reports of government program receipt, the CID also enables more accurate comparisons of the anti-poverty and targeting effects of the CTC expansions with those of existing programs. Finally, the CID retains the strengths of surveys, allowing us to observe the family structure of individuals, measure targeting via well-being characteristics like education and health, and incorporate income sources not fully captured by administrative sources.

The comparisons of results obtained using the CID and the survey alone yield both similarities and differences. In terms of similarities, we find that using the survey alone and the CID both produce a static decline in child poverty of approximately 34% (from a baseline rate of 13.7%) as a result of the CTC expansion. However, we also find differences between the CID and survey-only estimates along a number of dimensions. First, given the underreporting of survey incomes, the static decline in child poverty using the CID is estimated using poverty thresholds that are 14% higher than those using the survey alone. Furthermore, by more accurately measuring the receipt of existing government programs, the CID shows that the differences in preventing poverty (not accounting for labor supply responses) between the incremental CTC and the EITC and SNAP are 52% and 66% smaller, respectively, relative to using the survey alone. Finally, using the CID relative to the survey demonstrates that the share of existing tax credits targeted to those in the bottom decile of the income distribution increases by 50% for the EITC and nearly 400% for the TCJA CTC.

While prior studies using the CID have addressed issues ranging from the measurement of poverty to the effects of existing programs on economic well-being, this is the first paper to use the CID to more accurately simulate the effects of proposed policies. In doing so, it provides a blueprint for future simulations of proposed policies that rely on linked survey and administrative data to improve their accuracy.

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Tables and Figures

Table 1. Aggregate Recipients and Benefit Dollars for Tax Cuts and Jobs Act (TCJA) Child Tax Credit and American Families Plan (AFP) Child Tax Credit

Scenario	Families (millions) (1)	All people (millions) (2)	Children (millions) (3)	Spending (billions $) (4)
2018: TCJA CTC				
CID	—	—	—	110.2
IRS SOI	—	—	—	117.7
2022: TCJA CTC				
Survey-only	35.1	142.5	63.3	106.8
CID	40.7	161.2	67.3	111.8
2022: AFP CTC				
Survey-only	40.3	163.0	71.4	205.1
CID	43.6	171.6	71.7	213.1
2022: Difference between AFP and TCJA CTC				
Survey-only	5.2	20.5	8.1	98.3
CID	2.9	10.4	4.4	101.3

Source: 2017 CPS ASEC (adjusted to 2018 or 2022 levels using changes in prices and benefits) linked to administrative IRS records, TAXSIM, 2018 IRS SOI line item totals

Notes: This table shows total CTC family recipients, individual CTC recipients, and total CTC dollars paid out, calculated for various scenarios in both the CID and survey. Column 1 shows the total number of families that receive either the TCJA or AFP CTC. A family is defined as a recipient if any tax unit within the family receives the CTC. Columns 2 and 3 show the total number of people and children who receive either the TCJA or AFP CTC. An individual is defined as a recipient if they are in a family that receives the CTC. Finally, Column 4 shows total CTC dollars paid out in each scenario. The SOI total refers to the total number of non-refundable and refundable CTC dollars listed in the IRS's 2018 Statistics of Income line item totals. The "2022: AFP CTC" scenario refers to the AFP CTC simulations, which assume 75% take-up among non-filers. Filers in the survey are defined as those who are designated as filers in the CPS. Filers in the CID are defined as individuals in tax units who meet one of the following three conditions: a) they are in a tax unit that links to a 1040, b) their survey tax unit has non-zero federal tax liability before credits after being run through TAXSIM, or c) their survey tax unit has more than $500 in federal tax credits after being run through TAXSIM. The survey-only sample consists of all individuals in the 2017 CPS ASEC. The CID sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024.

Table 2. Poverty Rate in 2022 Under Tax Cuts and Jobs Act (TCJA) Child Tax Credit and American Families Plan (AFP) Child Tax Credit for Full and Child Population, Survey-Only vs. CID

Population	TCJA CTC (1)	AFP CTC (2)	Change (p.p.) (3)	Change (percent) (4)
CID (Threshold for family of 4: $37,890)				
Full population	10.8%	9.0%	-1.8	-16.7%
Children under 18	13.7%	9.1%	-4.6	-33.6%
Survey Only (Threshold for family of 4: $33,229)				
Full population	11.8%	10.0%	-1.8	-15.6%
Children under 18	13.7%	9.1%	-4.6	-33.8%

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: This table shows static poverty reduction estimates for the CTC expansion using only the CPS ASEC and in the CID. The income concept for all estimates is post-tax, post-transfer income including all non-medical in-kind transfers, equivalized to adjust for different sharing unit sizes. The sharing unit is the family, defined as the SPM unit. The poverty threshold is equal to the 13.7th percentile of equivalized family income for all children, determined separately for the survey-only and CID simulations. The table shows thresholds for a family with two adults and two children. The TCJA CTC is the CTC under the Tax Cuts and Jobs Act. The AFP CTC is the CTC under the American Rescue Plan Act of 2021 (and proposed as part of the American Families Plan). Both the survey-only and CID-based simulations assume 75% take-up of the AFP CTC among non-filers. The survey-only sample consists of all individuals in the 2017 CPS ASEC. The CID sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Table 3. Deep and Near Poverty Rate in 2022 Under Tax Cuts and Jobs Act (TCJA) Child Tax Credit and American Families Plan (AFP) Child Tax Credit for Full and Child Population, CID

Population	TCJA CTC (1)	AFP CTC (2)	Change (p.p.) (3)	Change (percent) (4)
A. Deep Poverty (Threshold for family of 4: $18,945)				
Full population	2.3%	2.0%	-0.3	-14.5%
Children under 18	2.3%	1.4%	-0.9	-38.8%
B. Near Poverty (Threshold for family of 4: $56,835)				
Full population	26.6%	24.9%	-1.7	-6.4%
Children under 18	35.9%	32.0%	-3.9	-11.0%

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: This table shows deep poverty and near poverty reduction estimates (using equivalized post-tax, post-transfer CID income) for the CTC expansion for the full and child population using the CID. This simulation assumes 75% take-up among non-filers. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Table 4. Millions of Workers with Children Exiting the Labor Force due to Income and Substitution Effects from the CTC Expansion, by Substitution Elasticity

Single Mother EITC	Other workers		
Recipients	**0.05**	**0.25**	**0.45**
0.50	0.70	1.25	1.79
0.75	0.92	1.46	2.00
1.20	1.30	1.85	2.39

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: Exit due to the income effect equals 0.14 million and is not impacted by substitution elasticities. Estimates are based on simulations of the American Families Plan (AFP) Child Tax Credit (CTC) for 2022 and include labor force exits due to income and substitution effects. The substitution effect elasticities are applied to the percent decrease in return to work. Percent decrease in the return to work is the decrease in the return to work divided by the baseline return to work among currently working parents. The baseline return to work is earnings net of tax liability and reduced transfer benefits from working. The decrease in the return to work due to the CTC expansion is the change in the AFP CTC (between working and not working) minus the change in the Tax Cuts and Jobs Act (TCJA) CTC (between working and not working). The income effect estimate applies elasticities of 0.085 for single mothers receiving EITC benefits and 0.05 for other workers to the percent increase in income. The percent increase in income is the increase in CTC benefit from the TCJA to the AFP CTC divided by family post-tax and post-transfer income. A working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Exit probabilities due to income and substitution effects are modeled additively. All workers in a tax unit are modeled as both remaining or both exiting the labor force. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Table 5. Number of Tax Units, Adults, and Workers Facing Higher Implicit Marginal Tax Rates with the American Families Plan (AFP) Child Tax Credit—on Phase-In of Tax Cuts and Jobs Act (TCJA) Child Tax Credit—and Mean Change in Implicit Marginal Tax Rate, 2022

		Workers on phase-in of TCJA CTC	
	Total (millions) (1)	Number with higher implicit marginal tax rate (millions) (2)	Mean p.p. change in implicit marginal tax rate (3)
Adults in tax units	246.2	14.2	14.6
Tax units	180.4	11.9	14.8
Workers in tax units	163.7	10.4	14.6

Source: 2017 CPS ASEC (adjusted to 2022 levels using change in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: Mean percentage point change in implicit marginal tax rate (column 3) is among those with a higher implicit marginal tax rate (column 2). The increase in the implicit marginal tax rate on an additional dollar of earnings in column (3) is equal to the phase-in rate of the TCJA CTC. This includes the phase-in of the ACTC, which phases in at $0.15 per dollar of earnings, and the phase-in of the non-refundable CTC, which phases in at the marginal federal income tax rate of the tax unit (generally 10% or 12% for tax units on the phase-in part of the TCJA CTC schedule). To infer the phase-in rate of the TCJA CTC, we exploit the fact that a tax unit receiving a strictly positive but less than maximum amount of a particular credit will receive more of that credit if its earnings increase by an additional dollar (with the exception of those tax units on the phase-out portion of the TCJA CTC). The increase in the implicit marginal tax rate on an additional dollar of earnings in column (5) is equal to the phase-out rate of the incremental CTC, $0.05 per dollar of earnings. Tax units receiving, under the AFP CTC, strictly more than the previous maximum benefit but strictly less than the new maximum benefit are considered impacted. See Appendix D for further details. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024.

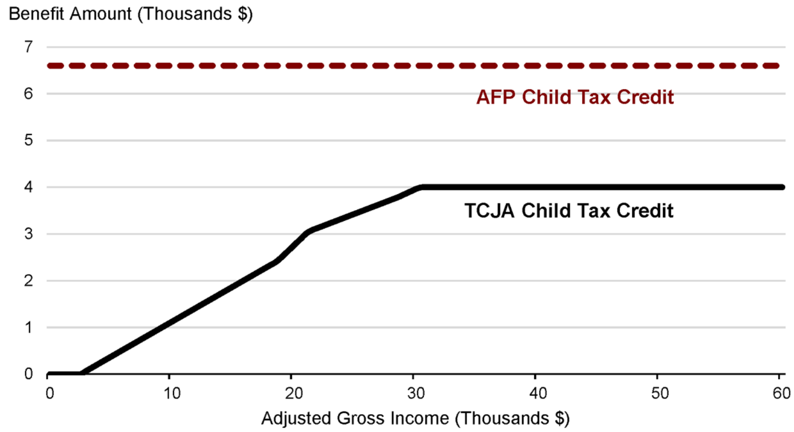
Table 6. Regular, Deep, and Near Poverty Rate in 2022 Under Tax Cuts and Jobs Act (TCJA) Child Tax Credit and American Families Plan (AFP) Child Tax Credit for Full and Child Population, Dynamic Simulation, CID

		Dynamic Simulation			Static Simulation
Population	Rate Under TCJA CTC	Rate Under Expanded CTC	Change (p.p.)	Change (percent)	Change (percent)
	(1)	(4)	(5)	(6)	(7)
		A. Poverty (Threshold for family of 4: $37,890)			
Full population	10.8%	9.7%	-1.1	-10.1%	-16.7%
Children under 18	13.7%	10.8%	-3.0	-21.5%	-33.6%
		B. Deep Poverty (Threshold for family of 4: $18,945)			
Full population	2.3%	2.4%	0.1	2.6%	-14.5%
Children under 18	2.3%	2.3%	0.0	0.6%	-38.8%
		C. Near Poverty (Threshold for family of 4: $56,835)			
Full population	26.6%	25.4%	-1.2	-4.6%	-6.4%
Children under 18	35.9%	33.0%	-2.9	-8.0%	-11.0%

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

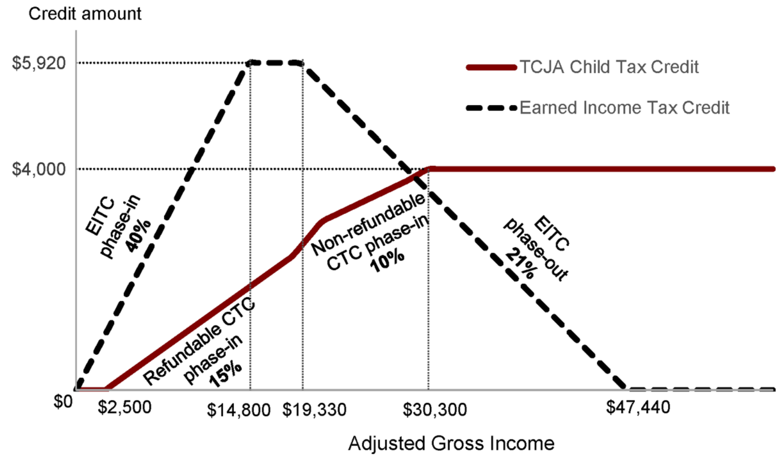
Notes: Dynamic estimates are based on simulations of the AFP Child Tax Credit (CTC) for 2022 and include labor force exits due to income and substitution effects. The substitution effect elasticities are applied to the percent decrease in return to work. Percent decrease in the return to work is the decrease in the return to work divided by the baseline return to work among currently working parents. The baseline return to work is earnings net of tax liability and reduced transfer benefits from working. The decrease in the return to work due to the Child Tax Credit expansion is the change in the AFP CTC (between working and not working) minus the change in the TCJA CTC (between working and not working). The income effect estimate applies elasticities of 0.085 for single mothers receiving EITC benefits and 0.05 for other workers to the percent increase in income. The percent increase in income is the increase in CTC benefit from the TCJA to the AFP CTC divided by family post-tax and post-transfer income. A working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Exit probabilities due to income and substitution effects are modeled additively. All workers in a tax unit are modeled as both remaining or both exiting the labor force. We adjust tax liabilities and Supplemental Nutrition Assistance Program benefits for workers exiting the labor force. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Figure 1. Child Tax Credit Under Tax Cuts and Jobs Act (TCJA) and American Families Plan (AFP), Single Parent with Two Children (One Aged 0-5 and Another Aged 6-16)



Source: Internal Revenue Service
Notes: The TCJA CTC is the CTC under the Tax Cuts and Jobs Act. The AFP CTC is the CTC under the American Rescue Plan Act of 2021.

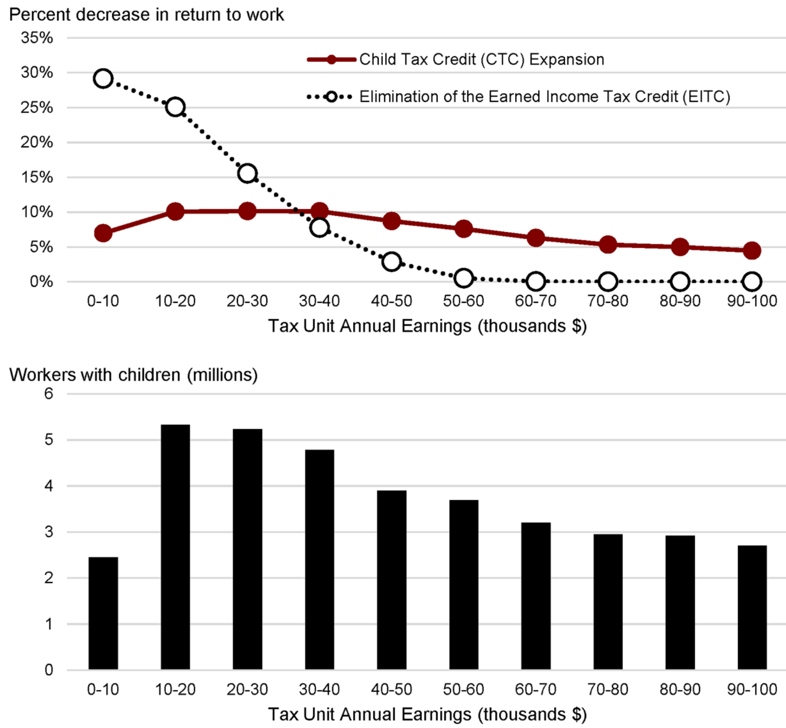
Figure 2. Tax Cuts and Jobs Act Child Tax Credit and Earned Income Tax Credit by Adjusted Gross Income Using 2020 Rules, Single Parent with Two Children Under Age 17



Source: Internal Revenue Service, Congressional Research Service

Notes: Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) parameters are based on 2020 tax law (all dollar values expressed in 2020 nominal terms). The refundable CTC phases in at a 15% rate because it is calculated as 15% times the difference between earnings and $2,500, up to a maximum of $1,400 per dependent child. The non-refundable CTC phases in at a 10% rate because it is a non-refundable credit and thus phases in at the federal marginal tax rate once Adjusted Gross Income is sufficiently high to generate a positive tax liability. The CTC as a whole phases in at a 25% rate when the refundable portion of the CTC and non-refundable portion of the CTC phase in simultaneously. All adjusted gross income is assumed to come from earned income, and the family is assumed to take the standard deduction and claim no other non-refundable tax credits.

Figure 3. Mean Percent Decrease in the Return to Work Due to Child Tax Credit Expansion and Hypothetical Elimination of the Earned Income Tax Credit, and Number of Workers with Children, by Tax Unit Earnings



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: Estimates in the top panel are based on simulations of the proposed CTC expansion for 2022 and the elimination of the EITC as it is defined by current law. Percent decrease in the return to work is the decrease in the return to work divided by the baseline return to work among currently working parents. The baseline return to work is earnings net of tax liability and reduced transfer benefits from working. The decrease in the return to work due to the CTC expansion is the change in the AFP CTC (between working and not working) minus the change in the TCJA CTC (between working and not working). The change in the return to work due to the elimination of the EITC is the EITC benefit itself. A working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Tax unit earnings are reported in $10,000 bins. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Figure 4a. Percent Increase in Child Poverty in Absence of Given Program, Survey-Only vs. CID

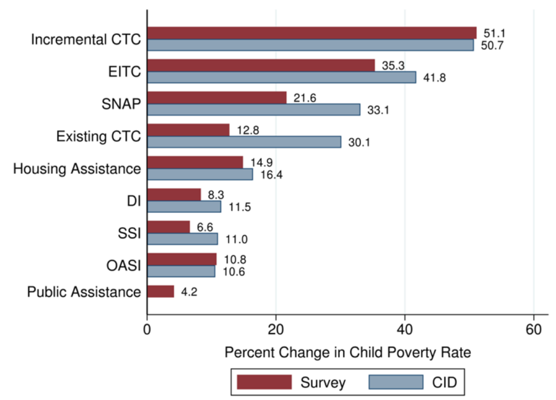
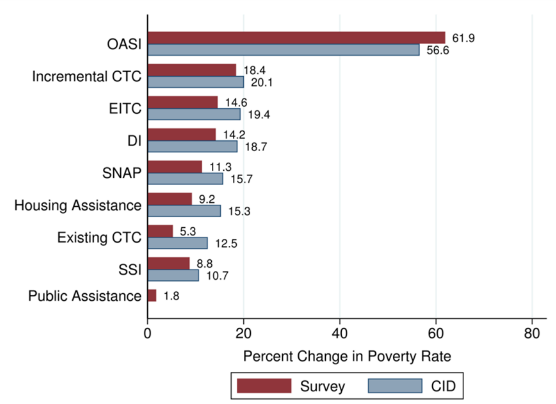


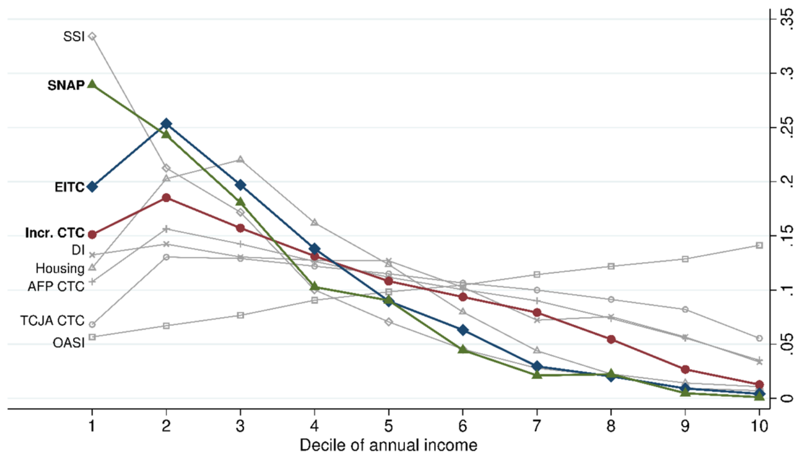
Figure 4b. Percent Increase in Poverty in Absence of Given Program, Survey-Only vs. CID



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

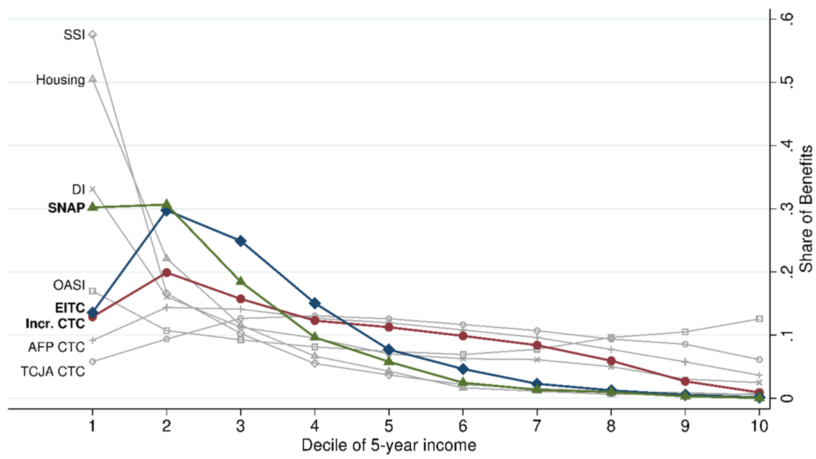
Notes: Baseline income is equivalized post-tax, post-transfer income including the AFP CTC. Both the survey-only and CID-based simulations assume 75% take-up of the AFP CTC among non-filers. The poverty threshold for a family of four (two adults and two children) is $37,890 in the CID and $33,229 in the survey only. Effects are calculated as the percent change in the poverty rate if the program were removed. For the CID-based simulation, we drop non-PIKed and whole imputed families in the CPS, adjusting survey weights using inverse probability weighting. For the survey-only simulation, our sample consists of all individuals in the 2017 CPS ASEC. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Figure 5. Share of Total Program Dollars Received by Decile of Annual Income, CID



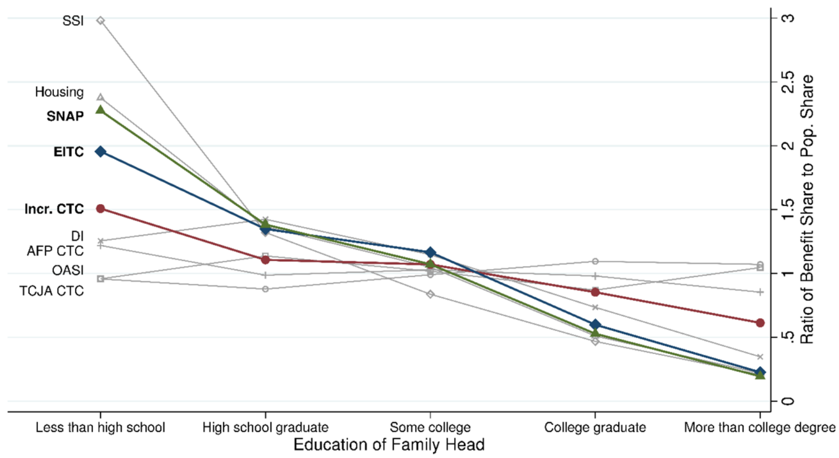
Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.
Notes: This figure shows shares of total program dollars received by each decile of annual family income (after taxes/non-medical in-kind transfers and including the American Families Plan (AFP) CTC). Baseline incomes are equivalized to account for different family sizes. Administrative data are used for all programs. Baseline income and the incremental and AFP CTC use the CID-based CTC expansion simulation with assumed 75% take-up among non-filers. SNAP estimates are calculated using the subset of states for which administrative SNAP data are available. We drop non-PIKed and whole imputed families in the CPS, adjusting survey weights using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Figure 6. Share of Total Program Dollars Received by Decile of 5-Year Income, CID



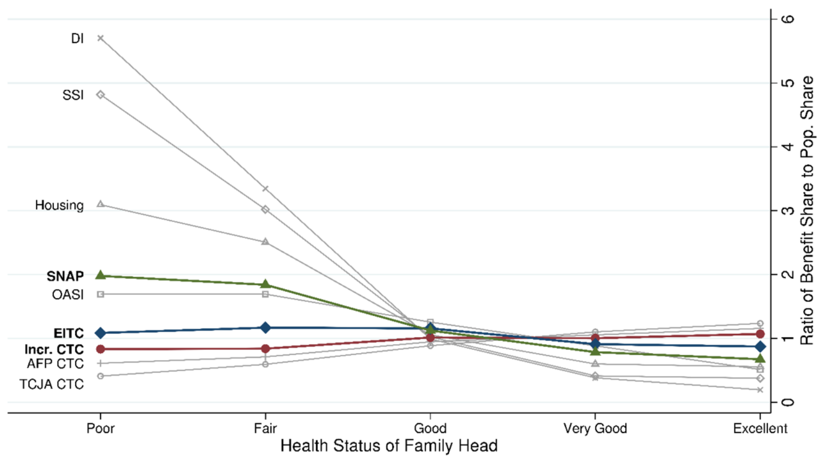
Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.
Notes: This figure shows shares of total program dollars received by each decile of 5-year income. 5-year income is the sum of income on tax forms (AGI on 1040 for filers and wages/retirement-income from W-2 and 1099-R for non-filers) from 2014-2018. Baseline incomes are equivalized to account for different family sizes. Administrative data are used for all programs. Baseline income and the incremental and American Families Plan (AFP) CTC use the CID-based AFP CTC simulation with assumed 75% take-up among non-filers. SNAP estimates are calculated using the subset of states for which administrative SNAP data are available. We drop non-PIKed and whole imputed families in the CPS, adjusting survey weights using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024.

Figure 7. Share of Total Program Dollars Received by Educational Attainment of Family Head, CID



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.
Notes: This figure shows shares of total program dollars received relative to shares of total population by educational attainment of family head. Administrative data are used for all programs. The incremental and American Families Plan (AFP) CTC use the CID-based AFP CTC simulation with assumed 75% take-up among non-filers. SNAP estimates are calculated using the subset of states for which administrative SNAP data are available. We drop non-PIKed and whole imputed families in the CPS, adjusting survey weights using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024.

Figure 8. Share of Total Program Dollars Received by Health Status of Family Head, CID



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.
Notes: This figure shows shares of total program dollars received relative to shares of total population by self-reported health status of family head. Administrative data are used for all programs. The incremental and American Families Plan (AFP) CTC use the CID-based AFP CTC simulation with assumed 75% take-up among non-filers. SNAP estimates are calculated using the subset of states for which administrative SNAP data are available. We drop non-PIKed and whole imputed families in the CPS, adjusting survey weights using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024.

Appendix Tables and Figures

Table A1. Provisions of the Child Tax Credit Under the Tax Cuts and Jobs Act and the American Families Plan

	Tax Cuts and Jobs Act	American Families Plan
Dependents who qualify for the full credit	Dependent children aged 0-16	Dependent children aged 0-17
Maximum amount of full credit	$2,000 per qualifying dependent	$3,600 (age 0-5), $3,000 (age 6-17) per qualifying dependent
Non-refundable portion of credit	Federal income tax liability (after previous non-refundable credits applied) up to $2,000 per qualifying dependent	None
Refundable portion of the credit	15% of earned income above $2,500, up to $1,400 per qualifying dependent	$3,600 (age 0-5), $3,000 (age 6-17) per qualifying dependent
Adjusted Gross Income level where benefits begin to phase out	$200,000 (single/head of household filers); $400,000 (married filing jointly)	Phase out 1: $75,000 (single); $112,500 (head of household); $150,000 (married filing jointly) Phase out 2: $200,000 (single/head of household filers); $400,000 (married filing jointly)
Phase out rate	5%	Phase out 1: 5%, until per-child credit reaches $2,000 per qualifying dependent Phase out 2: 5%, until credit reaches $0
Provisions of the Credit for Other Dependents (ODC)	Applied to dependents who do not qualify for full credit, maximum credit of $500 per dependent, phased out at 5% rate beginning at $200,000 (single/head of household filers), $400,000 (married filing jointly)	Same as under TCJA CTC

Source: IRS (2021a); IRS (2021b)

Notes: Tax Cuts and Jobs Act (TCJA) Child Tax Credit (CTC) is the CTC applicable to tax year 2020. American Families Plan (AFP) CTC is the CTC applicable to tax year 2021, as specified by the American Rescue Plan Act of 2021. Non-refundable portion of the Tax Cuts and Jobs Act CTC is applied after the Child and Dependent Care Tax Credit and the Credit for Other Dependents (see https://www.irs.gov/irm/part21/irm_21-006-003r). See Tax Policy Center (2021) for a description of the TCJA CTC and AFP CTC.

Table A2. Rules Used to Update Various Income Sources to 2022 Levels

Income source	How updated for 2022 (1)	Justification (2)
Market income	Annual average in C-CPI-U	C-CPI-U used to update tax brackets each year
OASDI and SSI	Annual average CPI-W	CPI-W used to update OASDI and SSI benefits each year
VA benefits	Percent change in maximum benefit for veteran with no dependents, given 50% disability rating	Update based on maximum benefit
SNAP	Percent change in maximum benefit for 3-person family (separate multipliers for AK and HI), disregarding the 2020 emergency increase in maximum benefits due to pandemic benefits set to expire in September 2021	Update based on maximum benefit
Housing assistance	Percent change in county-level Fair Market Rent for 2-bedroom housing unit	Benefit amount tied to payment standard in county which is itself based on Fair Market Rent
TANF	State-level change in maximum benefits for 3-person family	Update based on state-specific maximum benefit
School lunch	Percent change in reimbursement rate for free school lunch (separate multipliers for AK and HI)	Update based on reimbursement rate
LIHEAP	Percent change in Census region-level average utility gas prices in urban areas	Benefit amount tied to actual costs of utilities
WIC	Percent change in average monthly person-level WIC food costs	Update based on change in benefit

Source: C-CPI-U (2016-2020), CPI-W (2016-2020), USDA SNAP maximum benefit amounts (2016-2020), Average WIC food costs (2016-2020), USDA School Lunch Reimbursement Rates (2016-2021), HHS TANF maximum benefit amounts (2016-2019), VA maximum benefit amounts (2016-2020), HUD fair market rents (2016-2021), BLS average utility gas prices (2016-2020)

Notes: Market incomes, OASDI/SSI, VA benefits, SNAP, WIC, and LIHEAP are updated based on the change in their respective indices between 2016 and 2020, with the 2020-2021 and 2021-2022 increases assumed to be equal to average annual increase from 2016 to 2020. For SNAP, we only update through 2020 because the 2021 amounts reflect temporary increases in SNAP allotment as a result of pandemic-related policy changes. School lunch and housing assistance are updated based on the change in their respective indices between 2016 and 2021, with the 2021-2022 increases assumed to be equal to the average annual increase from 2016 to 2021. For TANF, we update based on state-level changes in the relevant index between 2016 and 2019, with the 2019-2020, 2020-2021, and 2021-2022 increases assumed to be equal to the average annual increase from 2016 to 2019 at the national level (we use the change in the national average weighted by state population to mitigate carrying through potentially one-off state-level policy changes).

Table A3. Simulations of the American Families Plan Child Tax Credit and Related Policies: Comparisons to the Literature

Study	Survey data source (1)	Modifications of data source (2)	Simulated policy (3)	Simulation year (4)	Baseline child poverty rate (5)	% Effect on child poverty (6)	Non-filer take-up (7)	Use SPM (8)
Our paper: CID	2017 CPS ASEC	Link tax records & admin government program data	Fully refundable CTC with $3,600 for children age 0-5 and $3,000 for children age 6-17	2022 (2018 tax law and update income values to 2022)	13.7%	33.6%	75%	No
Our paper: survey-only	2017 CPS ASEC	None	(Same as above)	2022 (2018 tax law and update income values to 2022)	13.7%	33.8%	75%	No
Acs and Werner (2021)	2018 ACS	ATTIS model	(Same as above)	2018	14.2%	41.3%	78%	Yes
Brill et al. (2021)	2020 CPS ASEC	Not stated	(Same as above)	Not stated	12.4%	35%	Not stated	Yes
CRS (2021)	2016-2018 CPS ASEC	TRIM model	(Same as above)	2015-2017 (TCJA tax law)	13%	46%	100%	Yes
Marr et al. (2021)	2019 CPS ASEC	None	(Same as above)	2021 (2021 tax law and inflate incomes to 2021)	13.7%*	41%	100%	Yes
Collyer et al (2019)	2018 CPS ASEC	None	Fully refundable CTC with $3,600 for children age 0-5 and $3,000 for children age 6-16	2018	14.9%**	38%**	100%	Yes
Collyer et al (2021)	2019 CPS ASEC	None	American Families Plan	2022 (updates employment)	14.7%	47.4%	100%	Yes

*Baseline child poverty rate is not reported in Marr et al. (2021). The rate is calculated based on the reported 41% reduction in child poverty and 4.1 million children lifted out of poverty, which implies a baseline of 10 million children in poverty, or 13.7% given the reported 72.993 million children in the U.S. according to Marr et al. (2021).

**Poverty rate among children aged 0 to 16 only.

Notes: ATTIS model is the Urban Institute's Analysis of Transfers, Taxes, and Income Security model. TRIM model is the Transfer Income Model developed by the Urban Institute for the U.S. Department of Housing and Urban Development. American Families Plan includes fully refundable CTC with $3,600 for children age 0-5 and $3,000 for children age 6-17; expansion of the EITC for childless workers; expansion of child care subsidies, expansion of the Child and Dependent Care Tax Credit, expansion of the Summer Electronic Benefit Transfer Program; and expansion of Pell Grant awards. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Table A4. Aggregate Recipients and Dollars for American Families Plan (AFP) Child Tax Credit and Change in Child Poverty Rate (Varying Take-Up Rates Among Non-Filers), CID

Non-Filer Take-Up Rate	Number of Children Receiving AFP CTC (millions)	Total Spending on AFP CTC (billions $)	Percent Change in Child Poverty
	(1)	(2)	(3)
0%	69.1	201.0	-29.9%
25%	70.3	205.2	-31.0%
50%	71.1	209.2	-32.4%
75%	71.7	213.1	-33.6%
100%	72.3	217.1	-35.5%

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: This table shows the total number of children receiving the AFP CTC, total AFP CTC spending, and percent change in child poverty under different assumptions of the take-up rate for non-filers. A child is defined as receiving the AFP CTC if they reside in a family where at least one tax unit within the family receives the AFP CTC. Filers are defined as individuals in tax units who meet one of the following three conditions: a) they are in a tax unit that links to a 1040, b) their survey tax unit has non-zero federal tax liability before credits after being run through TAXSIM or c) their survey tax unit has more than $500 in federal tax credits after being run through TAXSIM. The poverty threshold for a family of four is $37,890. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024 and CBDRB-FY2021-CES005-028.

Table A5. Survey-Only Child Poverty Effects of the American Families Plan Child Tax Credit Based on Assumptions in Comparison Studies

					Percent change in child poverty	
Comparison study	**Subtract expenses (1)**	**SPM thresholds (2)**	**100% take-up? (3)**	**Income adjusted to future year? (4)**	**Our analysis (5)**	**Comparison study (6)**
Survey-only	No	No	No	Yes	-34%	
Survey-only w/ SPM	Yes	Yes	No	Yes	-34%	
Acs and Werner (2018)	Yes	Yes	No	No	-39%	-41%
CRS (2021)	Yes	Yes	Yes	No	-44%	-46%
Marr et al. (2021)	Yes	Yes	Yes	Yes	-38%	-41%

Source: 2017 CPS ASEC (adjusted to 2022 levels using change in prices and benefits), TAXSIM

Notes: Survey-only refers to our survey-only simulation. Survey-only with SPM refers to our survey-only simulation when subtracting expenses from income and using the SPM thresholds. Expenses subtracted in column (1) include work and childcare expenditures, child support paid, and medical out-of-pocket and Medicare Part B expenditures. SPM thresholds in column (2) are obtained by scaling SPM thresholds included in the CPS ASEC by a constant multiple such that the child poverty rate matches the baseline rate in the published study as reported in Appendix Table A4. We use 2016 income values in comparisons with studies that do not adjust incomes for price and benefit changes and our 2022 income values in comparisons with studies that do adjust for a later year. Thus, income years do not match exactly in these comparisons. We do not compare our results to Brill et al. (2021) because they do not state their take-up rate and whether or not income is adjusted for a future year. For the survey-only simulation, our sample consists of all individuals in the 2017 CPS ASEC.

Table A6. Percent Increase in Poverty in Absence of Given Program, Survey-Only vs. CID

Program	Spending (billions $)		Percent increase in Poverty	
	All Families	Families with Children	Full Population	Children
	(1)	(2)	(3)	(4)
CID				
Incremental CTC	101.3	101.3	20.1%	50.7%
AFP CTC	213.1	209.5	35.7%	89.2%
TCJA CTC	111.8	108.2	12.5%	30.1%
EITC	73.1	58	19.4%	41.8%
SSI	53.9	18.8	10.7%	11.0%
OASDI	958.8	82.5	75.0%	22.1%
OASI	814.1	51.1	56.6%	10.6%
DI	144.8	31.3	18.7%	11.5%
SNAP	54.6	34.6	15.7%	33.1%
Housing Assistance	72.6	27.5	15.3%	16.4%
Survey Only				
Incremental CTC	98.4	97.9	18.4%	51.1%
AFP CTC	205.1	203.3	29.4%	80.6%
TCJA CTC	106.8	105.4	5.3%	12.8%
EITC	48.5	44.6	14.6%	35.3%
Public Assistance	7.7	5.9	1.8%	4.2%
SSI	55.6	13	8.8%	6.6%
OASDI	859.8	64	76.4%	19.4%
OASI	744.1	42.3	61.9%	10.8%
DI	115.7	21.7	14.2%	8.3%
SNAP	34.7	21.5	11.3%	21.6%
Housing Assistance	30.6	15	9.2%	14.9%

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

Notes: Effects are calculated as the percent change in the poverty rate (using equivalized post-tax, post-transfer income) if the program were removed. The poverty threshold is $37,890 in the CID and $33,229 in the survey only. For the CID-based simulation, we drop non-PIKed and whole imputed families in the CPS, adjusting survey weights using inverse probability weighting. For the survey-only simulation, our sample consists of all individuals in the 2017 CPS ASEC. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024 and CBDRB-FY2021-CES005-028.

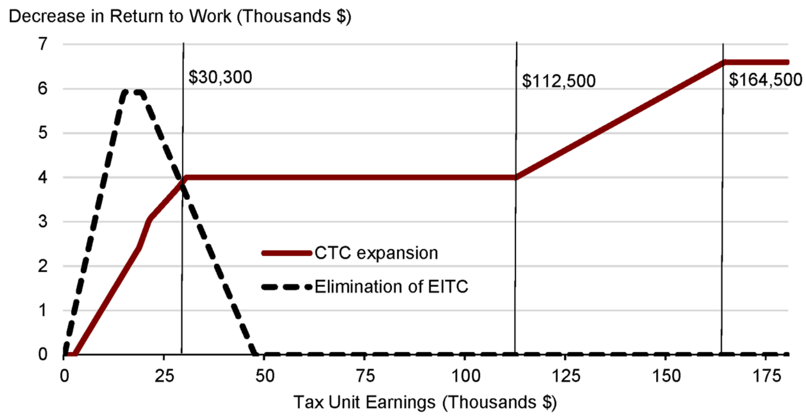
Table A7. Cost per Individual Lifted out of Poverty by Program, CID

	Spending (billions $)		Cost per Individual Lifted out of Poverty	
Program	**All families**	**Families with children**	**Full Population**	**Children**
Incremental CTC	101.3	101.3	$17,602	$29,680
AFP CTC	213.1	209.5	$20,836	$34,896
TCJA CTC	111.8	108.2	$31,126	$53,345
EITC	73.1	58	$13,168	$20,636
SSI	53.9	18.8	$17,575	$25,504
OASDI	958.8	82.5	$44,579	$55,579
OASI	814.1	51.1	$50,145	$71,746
DI	144.8	31.3	$26,962	$40,431
SNAP	54.6	34.6	$12,312	$15,655
Housing Assistance	72.6	27.5	$16,583	$24,863

Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

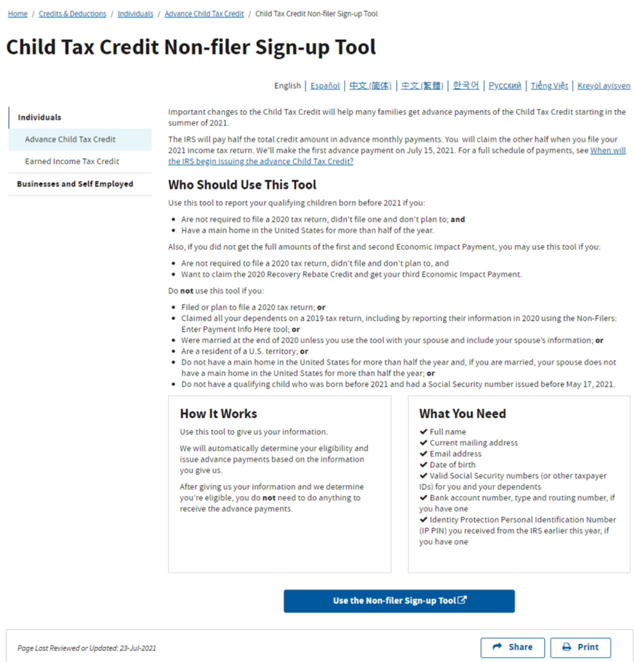
Notes: Effects are calculated as the percent change in the poverty rate (using equivalized post-tax, post-transfer income) if the program were removed. The poverty threshold is $37,890 in the CID and $33,229 in the survey only. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. To estimate the cost per individual lifted out of poverty, we divide program spending by the number of individuals added to poverty if the program were removed. For the cost per child lifted out of poverty, we use program spending on families with children. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-024 and CBDRB-FY2021-CES005-028.

Figure A1. Decrease in the Return to Work due to the Child Tax Credit Expansion Compared to the Elimination of the Earned Income Tax Credit, Single Parent with Two Children Ages 5 and 10



Source: Internal Revenue Service, Congressional Research Service
Notes: Figure shows the decrease in the return from work due to the CTC expansion for a hypothetical single parent with two children and no unearned income. The decrease in the return to work is equal to the incremental CTC benefit (the AFP CTC minus the TCJA CTC) when not working minus the incremental CTC benefit when working. For example, if the parent does not work, she receives $6,600 under the AFP CTC, which is $6,600 more than her TCJA CTC of $0. If she works and earns less than $30,300, her return to work falls by less than $4,000 due to the phase-in of the TCJA CTC. If she works and earns between $30,300 and $112,500, her return falls by $4,000, the amount of her TCJA CTC. If she works and earns between $112,500 and $164,500, her return to work falls by more than $4,000 because the incremental CTC begins to phase out. If she works and earns more than $164,500, her return to work falls by $6,600 because the incremental CTC has fully phased out. The decrease in the return to work due to the elimination of the EITC is equal to the EITC benefit itself.

Figure A2. Sign-Up Website for Child Tax Credit under American Rescue Plan Act



Home / Credits & Deductions / Individuals / Advance Child Tax Credit / Child Tax Credit Non-filer Sign-up Tool

Child Tax Credit Non-filer Sign-up Tool

English | Español | 中文 (简体) | 中文 (繁體) | 한국어 | Русский | Tiếng Việt | Kreyòl ayisyen

Individuals

Advance Child Tax Credit

Earned Income Tax Credit

Businesses and Self Employed

Important changes to the Child Tax Credit will help many families get advance payments of the Child Tax Credit starting in the summer of 2021.

The IRS will pay half the total credit amount in advance monthly payments. You will claim the other half when you file your 2021 income tax return. We'll make the first advance payment on July 15, 2021. For a full schedule of payments, see When will the IRS begin issuing the advance Child Tax Credit?

Who Should Use This Tool

Use this tool to report your qualifying children born before 2021 if you:

- Are not required to file a 2020 tax return, didn't file one and don't plan to; **and**
- Have a main home in the United States for more than half of the year.

Also, if you did not get the full amounts of the first and second Economic Impact Payment, you may use this tool if you:

- Are not required to file a 2020 tax return, didn't file and don't plan to, and
- Want to claim the 2020 Recovery Rebate Credit and get your third Economic Impact Payment.

Do **not** use this tool if you:

- Filed or plan to file a 2020 tax return; **or**
- Claimed all your dependents on a 2019 tax return, including by reporting their information in 2020 using the Non-Filers: Enter Payment Info Here tool; **or**
- Were married at the end of 2020 unless you use the tool with your spouse and include your spouse's information; **or**
- Are a resident of a U.S. territory; **or**
- Do not have a main home in the United States for more than half the year and, if you are married, your spouse does not have a main home in the United States for more than half the year; **or**
- Do not have a qualifying child who was born before 2021 and had a Social Security number issued before May 17, 2021.

How It Works

Use this tool to give us your information.

We will automatically determine your eligibility and issue advance payments based on the information you give us.

After giving us your information and we determine you're eligible, you do **not** need to do anything to receive the advance payments.

What You Need

- ✔ Full name
- ✔ Current mailing address
- ✔ Email address
- ✔ Date of birth
- ✔ Valid Social Security numbers (or other taxpayer IDs) for you and your dependents
- ✔ Bank account number, type and routing number, if you have one
- ✔ Identity Protection Personal Identification Number (IP PIN) you received from the IRS earlier this year, if you have one

Use the Non-filer Sign-up Tool

Page Last Reviewed or Updated: 23-Jul-2021

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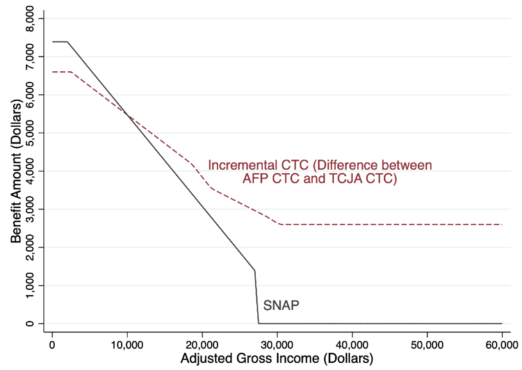
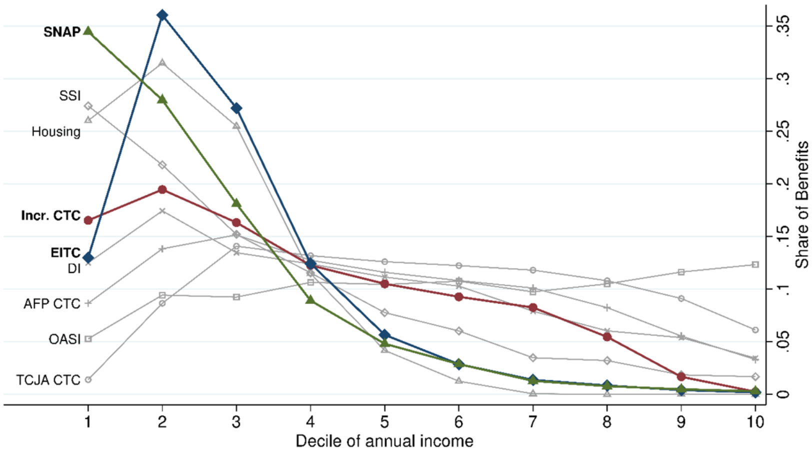
Source: Internal Revenue Service, accessed at <irs.gov/credits-deductions/child-tax-credit-non-filer-sign-up-tool> on September 5, 2021

Figure A3. Incremental Child Tax Credit and Total Supplemental Nutrition Assistance Program Benefit, Single Parent with Two Children (One Aged 0-5 and Another Aged 6-16)



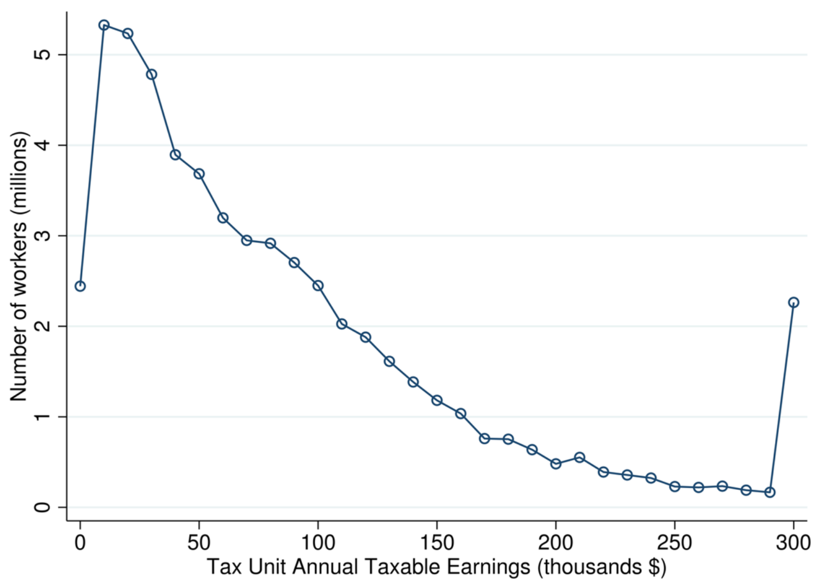
Source: Internal Revenue Service, U.S. Department of Agriculture
Notes: The TCJA CTC is the CTC under the Tax Cuts and Jobs Act. The AFP CTC is the CTC under the American Rescue Plan Act of 2021. Incremental CTC is the difference in benefits a family receives between the AFP CTC and TCJA CTC. All adjusted gross income is assumed to come from earned income, and the family is assumed to take the standard deduction and claim no other non-refundable tax credits. For Supplemental Nutrition Assistance Program (SNAP) benefits, the family is assumed to take the standard deduction only. Benefit levels are based on 2021 rules.

Figure A4. Share of Total Program Dollars Received by Decile of Annual Income, Survey-Only



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits), TAXSIM.
Notes: This figure shows shares of total program dollars received by each decile of annual family income (after taxes/non-medical in-kind transfers and including the AFP CTC). Baseline incomes are equivalized to account for different family sizes. Baseline income and the incremental and AFP CTC use the survey-based AFP CTC simulation with assumed 75% take-up among non-filers. Our sample consists of all individuals in the 2017 CPS ASEC.

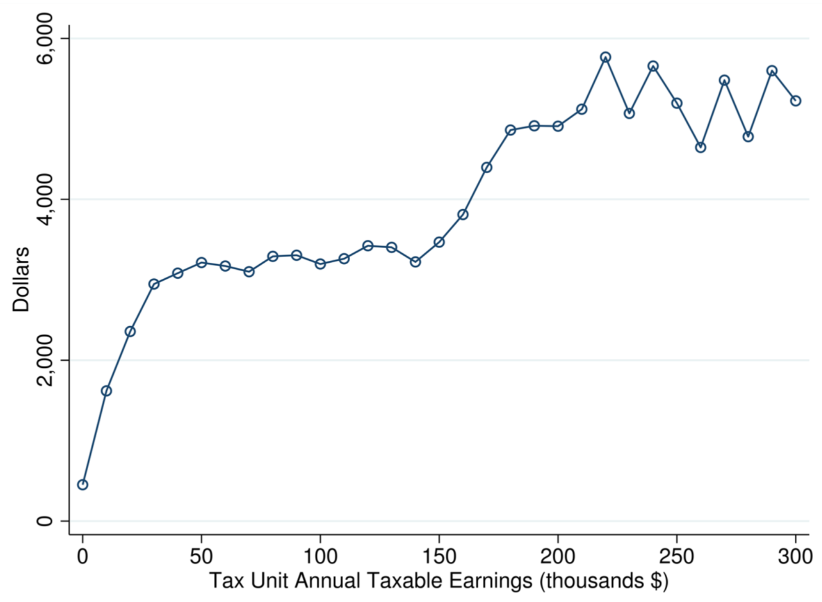
Figure A5. Number of Working Adults with Children, by Tax Unit Earnings



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM

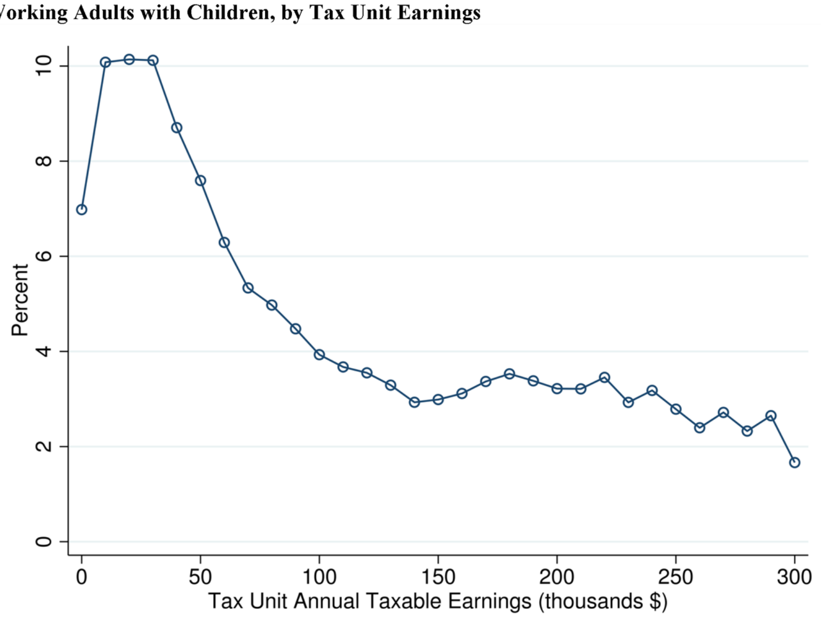
Notes: Working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Tax unit earnings are reported in $10,000 bins. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Figure A6. Mean Decrease in the Return to Work due to the Child Tax Credit Expansion Among Working Adults with Children, by Tax Unit Earnings



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.
Notes: The decrease in the return to work due to the Child Tax Credit expansion is the change in the American Families Plan CTC (between working and not working) minus the change in the Tax Cuts and Jobs Act CTC (between working and not working). Working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Tax unit earnings are reported in $10,000 bins. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

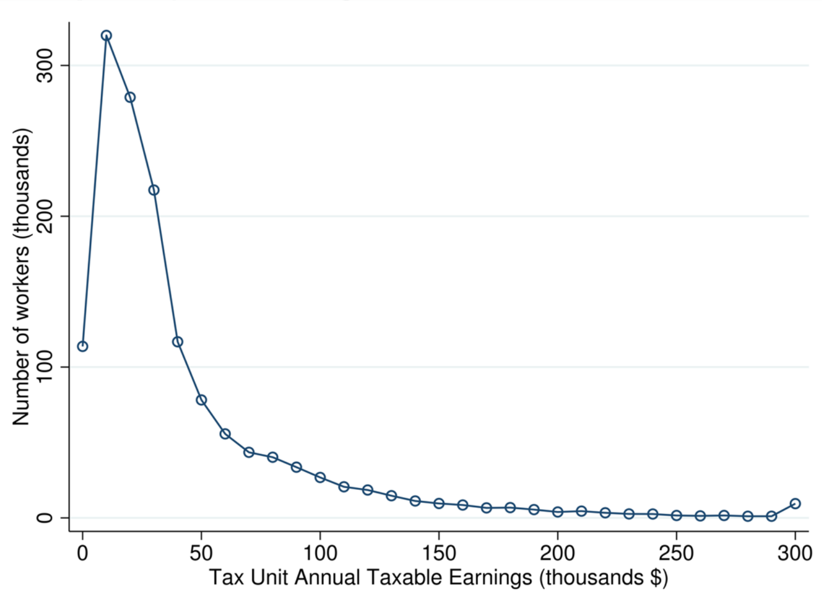
Figure A7. Mean Decrease in the Return to Work due to the Child Tax Credit Expansion as a Share of the Return to Work Under Tax Cuts and Jobs Act Child Tax Credit Among Working Adults with Children, by Tax Unit Earnings



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.

Notes: Figure shows the mean of the ratios of the decrease in return to work to baseline return to work. The decrease in the return to work due to the Child Tax Credit (CTC) expansion is the change in the American Families Plan CTC (between working and not working) minus the change in the Tax Cuts and Jobs Act CTC (between working and not working). The baseline return to work is earnings net of tax liability and reduced transfer benefits from working. Working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Tax unit earnings are reported in $10,000 bins. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Figure A8. Number of Working Adults with Children Exiting Labor Force due to Child Tax Credit Expansion, by Tax Unit Earnings



Source: 2017 CPS ASEC (adjusted to 2022 levels using changes in prices and benefits) linked to administrative IRS and program records, TAXSIM.
Notes: Estimates are based on simulations of the proposed Child Tax Credit (CTC) expansion for 2022. The substitution effect estimates apply elasticities of 0.75 for single mothers receiving EITC benefits and 0.25 for other workers to percent decrease in the return to work. Percent decrease in the return to work is the decrease in the return to work divided by the baseline return to work among currently working parents. The baseline return to work is earnings net of tax liability and reduced transfer benefits from working. The decrease in the return to work due to the CTC expansion is the change in the American Families Plan (AFP) CTC (between working and not working) minus the change in the Tax Cuts and Jobs Act (TCJA) CTC (between working and not working). The income effect estimates apply elasticities of 0.085 for single mothers receiving EITC benefits and 0.05 for other workers to the percent increase in income. The percent increase in income is the increase in CTC benefits from the TCJA to the AFP CTC divided by family post-tax and post-transfer income. A working adult with children is any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016. Exit probabilities due to income and substitution effects are modeled additively. All workers in a tax unit are modeled as both remaining or both exiting the labor force. Our sample consists of all individuals in PIKed and non-whole imputed families, with survey weights adjusted for non-PIKing and whole imputes using inverse probability weighting. The Census Bureau has reviewed this data product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied to this release, authorization number: CBDRB-FY2021-CES005-028.

Appendix A

This appendix describes how we allocate CTC benefits to families, with a focus on the less straightforward case of complex families—where surveyed adults claim children outside of the surveyed adult's family, and where surveyed children are claimed by adults outside of the surveyed child's family.

Our approach for allocating the CTC in general (both in non-complex families and complex families) can be outlined as follows:

1. In the most straightforward cases, the survey children include all of those listed on the returns of the adults either in or outside the family. In that case, all CTC dollars go to the children in question.
2. In the case when one or more of the tax returns includes children not in the surveyed family, the CTC must be prorated so that only part of the credit is allocated to the children in the surveyed family.
3. Surveyed dependents who do not appear on any 1040 are assumed to receive the CTC if there is a survey adult to claim them. We assume that the AFP CTC can be received by children who do not appear on a 1040 even if there is no survey adult to claim them.

The remainder of this appendix describes our methodology for prorating the CTC when the dependents on the 1040 are not a subset of the dependents in a surveyed family. Our strategy is to prorate the CTC based on the number of claimed dependent children that appear in the survey sharing unit. We implement this adjustment of total benefits when simulating the TCJA CTC and the AFP CTC..[42] Note that we assign all other taxes and tax credits (including the Earned Income Tax Credit and the Child and Dependent Care Tax Credit) to the sharing unit of the surveyed primary/secondary filer only.

Implementing Our Approach

We implement our approach in two steps. First, we calculate the total amount of each credit pertaining to the 1040. Second, we calculate the share of the total amount of each credit that should be allocated to the survey sharing unit.

Step 1. Calculate the total amount of each tax credit pertaining to the 1040

We consider separately the TCJA CTC and the AFP CTC. For both of these credits, the amount of the credit that can be claimed on behalf of each dependent varies by the age category of the dependent (under 17 vs. 17+ for the TCJA CTC and under 6 vs. 6-17 vs. 18+ for the AFP CTC). Thus, we split the total amount of the CTC into the total amounts claimed for each age category. This allows us in Step 2 to accurately prorate the total CTC amount based on both the share and age composition of 1040 dependents who appear in the surveyed SPM unit.

TCJA CTC. The TCJA CTC contains the following components:

For dependents under age 17

- Non-refundable CTC (with maximum benefit of $2,000 per dependent)

[42] For TCJA CTC, we subtract out the CTC amount for "non-resident" 1040 dependents in proportion to the share of 1040 dependents who do not appear in the survey. For the AFP CTC, we subtract out the age-specific CTC amounts for "non-resident" 1040 dependents.

- Additional CTC (ACTC, refundable portion of the CTC with maximum benefit of $1,400 per dependent)

For dependents aged 17+

- Non-refundable ODC (with maximum benefit of $500 per dependent)

While TAXSIM reports the ACTC as a separate output, it unfortunately aggregates the non-refundable CTC and ODC into a single output ("combined non-refundable CTC") for each tax unit. Thus, we must split this aggregated amount between these two benefits outside of TAXSIM. To do so, we use the IRS rule that the non-refundable ODC is applied before the non-refundable CTC when calculating non-refundable tax credits..[43] We first calculate the total non-refundable ODC for the tax unit as the minimum of (i) the total amount of the "combined non-refundable CTC" outputted by TAXSIM and (ii) $500 times the number of dependents aged 17+ on the 1040. We then calculate the total non-refundable CTC for the tax unit as any remaining amount of the "combined non-refundable CTC" after subtracting out the non-refundable ODC.

AFP CTC. The AFP CTC contains the following components:

For dependents under age 6

- Fully refundable CTC, with maximum benefit of $3,600 per dependent

For dependents aged 6-17

- Fully refundable CTC, with maximum benefit of $3,000 per dependent

For dependents age 18+

- Non-refundable ODC, with maximum benefit of $500 per dependent

We calculate the total CTC amount for dependents aged 0 to 5 (6 to 17) as $3,600 ($3,000) times the number of dependents aged 0 to 5 (6 to 17) on the 1040, appropriately phased out based on AGI on the 1040. We calculate the total ODC amount as equivalent to the total tax liability (prior to credits) based on the 1040 (calculated by TAXSIM), up to a maximum of $500 times the number of dependents aged 18+ on the 1040. The ODC is appropriately phased out based on AGI on the 1040.

Step 2. Prorate the total amount of each credit based on the number and age composition of 1040 dependents appearing in the survey sharing unit

In this step, we prorate the total amount of each credit calculated in Step 1 (split across dependent age categories) based on the share of 1040 qualifying dependents for each credit who appear in the survey sharing unit (split across age categories).

The denominators for these shares are the numbers of dependents on the 1040 in the following age categories for each credit:

TCJA CTC

Dependents under age 17

- Claimed for the non-refundable CTC and ACTC

Dependents aged 17+

- Claimed for the non-refundable ODC

[43] See Internal Revenue Service (IRS) documentation, https://www.irs.gov/irm/part21/irm_21-006-003r.

AFP CTC

Dependents aged 0 to 5

- Claimed for the fully refundable CTC for dependents age 0 to 5

Dependents aged 6 to 17

- Claimed for the fully refundable CTC for dependents age 6 to 17

Dependents aged 18+

- Claimed for the non-refundable ODC.[44]

The numerators for these shares are the numbers of dependents on the 1040 in each age category who appear in the surveyed family. We add the prorated share of each specific credit to the income of the surveyed family.

[44] The proration of the ODC under the AFP CTC is different from the proration of the ODC under the TCJA CTC. Between the two scenarios, the total amount of ODC awarded changes and the number of ODC dependents changes (due to changes in age eligibility for the ODC).

Appendix B

This appendix describes the discrepancy between the number of children represented by the CPS ASEC and the number of children who can potentially be claimed as a dependent for purposes of the CTC. It also describes the implications this discrepancy for our aggregate estimates of CTC spending.

In the CID, we only assign CTC benefits to children in the survey frame, who are weighted to represent the total non-institutionalized population of children living in the United States. However, children outside of the non-institutionalized population (as represented by the CPS ASEC) can potentially be claimed as a dependent for purposes of the CTC. In 2016, there were an estimated 129,100 children in institutional group quarters, 2.5 million children with Social Security numbers living outside of the United States, and an estimated 1.5 million children not represented by the CPS ASEC population benchmark due to an undercount of the non-institutionalized population.

With regard to the latter group, CPS ASEC benchmarks are derived from population totals in the most recent Decennial Census. The Census Bureau estimated that the net undercount (i.e., gross omissions net of erroneous enumerations and whole person imputations) of children ages 0-11 was 1.5 million in the 2010 Decennial Census (Census Bureau 2014). This cohort corresponds to children ages 6-17 in 2016. Children ages 0-5 in 2016 were all born after the 2010 Census, so their contribution to the population benchmark is not affected by the Census undercount.

Thus, while the CPS ASEC captures 74.0 million children in 2017, there are an estimated 78.0 million with Social Security numbers who potentially could be claimed on a 1040 for purposes of the CTC. If the additional 4.0 million children not captured by the CPS ASEC have a similar expected CTC benefit as children represented by the CPS ASEC, then we would expect aggregate CTC payments in the CID to be approximately 95% of aggregate CTC payments according to administrative aggregates. Thus, children not represented by the CPS ASEC but nonetheless eligible for the TCJA CTC can explain the finding that we capture 94% of TCJA CTC dollars in the CID.

At the same time, we may slightly overstate CTC spending for another reason—we drop children living in families without any PIKed family member. These children who we drop are unlikely to have the CTC claimed on their behalf because qualifying dependents must have a Social Security number. However, we then upweight other families with at least one PIKed family member such that the weighted total number of children represented by the CPS ASEC is unchanged. Effectively, this means we could give higher weight to children who are more likely to receive the TCJA CTC given that they are more likely to have a Social Security number. However, because we use covariates to determine who to upweight, we are likely to increase the weights of children who also do not receive the TCJA CTC. Because the children we upweight to "take the place" of children dropped from the sample likely have similar CTC amounts, this issue does not likely lead to substantial overstatement of CTC spending.

Appendix C

This appendix describes our methodology for simulating the effect of the CTC expansion on labor supply and incorporating labor supply reductions into our poverty simulations. Throughout, we use the term "TCJA CTC" to mean the CTC under Tax Cuts and Jobs Act, and we use the term "AFP CTC" to mean the CTC under the American Rescue Plan Act of 2021 and proposed for extension under the American Families Plan. We do not account for reductions in hours worked for workers who face an increased implicit marginal tax on an extra dollar of earnings due to the CTC expansion—this includes workers on the phase-in portion of the TCJA CTC or the phase-out portion of the incremental CTC.

Effect of CTC expansion on labor force participation
Relative to the TCJA CTC, the Child Tax Credit (CTC) expansion would reduce the incentive to work for most workers with children. Under the TCJA CTC, individuals receive up to $2,000 per child only if they work (or have a nonzero tax liability from other income sources). For example, a worker with two children receives up to $4,000 if she works, and $0 if she does not work and has no tax liability. Under the AFP CTC, workers receive no *additional* benefit amount as a result of working. Thus, the reduction in the return to work under the AFP CTC (relative to the TCJA CTC) will lead to a decrease in the number of workers as a result of the CTC expansion.

In order to estimate the reduction in participation in the labor force, we apply from the academic literature elasticities of participation, which indicate the percent change in the probability of participation due to a one percent change in the return to work. Letting ϵ denote the elasticity, the percent change in the probability of working is equal to ϵ times the percent change in the return to work. We consider the work decisions of each tax unit with at least one current worker,.[45] assuming that either all current workers in the tax unit decide to work or no one in the tax unit decides to work..[46]

We start by calculating the percent change in the return to work for each tax unit, which is (1) the change in the return to work due to the CTC expansion divided by (2) the current return to work under the TCJA CTC scenario.

Focusing first on (2), the return to work for the tax unit under the TCJA CTC scenario is simply their current earnings minus their additional tax liability accrued due to working minus the SNAP benefits they lose due to working..[47] We calculate the additional tax liability accrued due to

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[45] Tax units currently working and not working would generally be affected by changes to the return to work. We apply the elasticities only to those who are working.
[46] Dual labor supply decisions by multiple workers in a single tax unit are more difficult to model. For the sake of simplicity, we only consider the cases in which either both or neither of the workers drop out of the labor force in response to the CTC expansion. In this way, we effectively treat the couple as a single worker responding to the change in work incentives facing the tax unit as a whole (and we count either zero workers or both workers as potentially exiting the labor force).
[47] We do not account for changes in housing assistance, TANF, SSI, DI, or OASI. While a tax unit's family may become eligible for these programs when the tax unit stops working, neither housing assistance nor TANF are entitlement programs (TANF moreover requires a work test for many recipients and the number of recipients is low), and SSI, DI, and OASI require the adult to be disabled and/or elderly, which is unlikely since the adult was previously

working as the additional federal income taxes, state income taxes, and payroll taxes (simulated via TAXSIM) paid as a result of going from zero earnings to current earnings. We calculate the amount of SNAP benefits lost due to working as the difference between the maximum SNAP benefits received by a tax unit's family (reflecting the amount under zero earnings) and the current level of SNAP benefits received (reflecting the amount under current earnings)..[48,49]

Focusing next on (1), the change in the return to work due to the CTC expansion is simply the change in the AFP CTC (between working and not working) minus the change in the TCJA CTC (between working and not working). For most workers, the AFP CTC is equal to the maximum amount whether or not they work, since the AFP CTC does not begin to phase out until $112,500 for tax units filling head of households and $150,000 for tax units filing married filing jointly. The TCJA CTC when not working is typically zero, except for tax units with sufficient unearned income to generate a positive federal tax liability even when not working. Thus, the decrease in the return to work for most workers is simply their TCJA CTC, though it can be higher for tax units with higher incomes..[50]

In order to calculate the percent change in the probability of working for each tax unit that is currently working, we multiply the percent change in the tax unit's return to work by the relevant elasticity for the tax unit. We apply an elasticity of 0.75 for tax units currently receiving the EITC and 0.25 for all other tax units. The 0.75 elasticity for tax units receiving the EITC is equal to the midpoint of the 0.3 to 1.2 range recommended for EITC-eligible workers based on a review of the literature in a CBO working paper (McClelland and Mok 2012). The 0.25 elasticity is consistent with mainstream simulation models and the academic literature (Congressional Budget Office 2012; Chetty et al. 2013)..[51] We consider a range of alternative elasticities in a series of robustness

working and has dependent children under age 18. However, families could potentially receive child SSI benefit when they stop working though most of the families we simulate as stopping work would have had sufficiently low earnings to be eligible for SSI when working.

[48] We assume the tax unit's family receives the maximum SNAP benefit given its family size when the tax unit does not work. We calculate the current level of SNAP benefits as the maximum SNAP benefit (given family size) minus 24% of the tax unit's earnings, reflecting the 24% phaseout of SNAP benefits with earnings. We do not rely on survey reports of SNAP benefits for the case in which the tax unit works, because doing so could lead us to assign large changes in SNAP benefits for families that fail to report SNAP receipt, even if their earnings are too low to warrant such a large change. This would lead us to understate the return to work by overstating the amount by which SNAP benefits are reduced when switching from not working to working.

[49] If the family is ineligible for SNAP when the tax unit has zero earnings (due to unearned income of the tax unit or income from other tax units in the same family), we will understate the return to work by overstating the reduction in SNAP benefits.

[50] The change in TCJA CTC between not working and working will be zero for tax units with earnings below $2,500 because tax units require more than $2,500 in earnings to receive the TCJA CTC. The return to work will in rare cases increase for some tax units on the phase out portion (or beyond the phase-out portion) of the TCJA CTC who have substantial unearned income. For these tax units, the reduction in AGI from the loss of earnings could make them eligible to receive a higher amount of TCJA CTC. The TCJA CTC starts phasing out at $400,000 for tax units filling married filing jointly and at $200,000 for other tax units. For purposes of our labor supply calculations, we do not pro-rate CTC benefits based on dependents claimed by tax units who live outside the survey family. This implicitly assumes that workers incorporate the benefits accruing to claimed dependents outside of their family when deciding whether to work. Surveyed dependents claimed by adults outside of their survey family are not assigned as dependents to adults in their survey family.

[51] The Penn Wharton Budget Model assumes a baseline labor supply elasticity of 0.50 (combining participation and hours). CBO (2012) recommends a labor supply elasticity of between 0.22 and 0.32 for primary workers across all

checks. We show results for every combination of the following elasticities: 0.30, 0.50, 0.75 and 1.20 for EITC recipients; and 0.05, 0.25 and 0.45 for non-EITC recipients.

In addition to the effects of a decreased return to work, the increase in income due to CTC expansion would be expected to reduce labor force participation as well. In order to estimate the reduction in participation in the labor force due to higher incomes, we apply elasticities that indicate the percent change in the probability of participation due to a one percent change in income. We follow NAS (2019) in assuming an elasticity of -0.085 for single mother tax units. We assign an elasticity of -0.05 for all other tax units..[52] We multiply these elasticities by the percent increase in income—the increase in income due to CTC expansion divided by income under the TCJA CTC, for the tax unit's family.

To estimate the total number of current workers exiting the labor force due to the CTC expansion, we multiply each individual worker's weight in the CPS ASEC by the percent change in the probability of working for each worker's tax unit, due either to the substitution effect or income effect..[53] We sum these products over all individuals in the CPS ASEC to obtain the number of workers exiting the labor force.

Incorporating labor supply reductions into poverty simulations

We next incorporate the labor force exits of tax units due to the CTC expansion into our estimates of the poverty rate and child poverty rate under the AFP CTC.

For each family that includes a tax unit exiting the labor force with a nonzero probability, we create a new post-tax, post-transfer income value that reflects the exit from the labor force of the tax unit..[54] We make the following adjustments to post-tax, post-transfer income of the family. First, we subtract taxable earnings. Second, we replace current tax liabilities (reflecting current earnings) with re-calculated tax liabilities assuming zero earnings. This includes the AFP CTC, though for most tax units the AFP CTC given current earnings is equal to the AFP CTC given zero earnings..[55] Third, we replace the family's survey-based SNAP benefit with the minimum of (i) the family's

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earnings deciles and secondary workers altogether. In a meta analysis, Chetty et al. (2013) conclude: "The estimates in table 1 should therefore be interpreted as a rough guide to plausible targets for calibration: they suggest that extensive margin elasticities around 0.25 are reasonable, while values above 1 are not."

[52] NAS (2019) assumes an employment elasticity with respect to income of -0.05 for men and -0.12 for married women. Because we conduct our analysis at the tax unit level, we take the lower -0.05 estimate to model joint decisions to exit the labor force.

[53] We identify a worker with dependent children as any adult aged 18 or over who (i) is the primary or secondary filer in a tax unit that includes at least one dependent under the age of 18 and has strictly positive earnings, and (ii) either reported working in 2016 or is the primary filer in a tax unit in which no adult reported working in 2016.

[54] If there are multiple tax units in the family that exit the labor force with nonzero probability, we only consider the labor force exit of the tax unit with the highest probability. This will lead us to understate poverty under the AFP CTC.

[55] The AFP CTC given current earnings will differ from the AFP CTC given zero earnings only when AGI given current earnings exceeds $112,500 for tax units filing head of household and $150,000 for tax units filing married filing jointly. For workers at these income levels in complex families who leave the labor force, we may overstate their AFP CTC given zero earnings because we do not pro-rate the credit for any claimed children who live outside the survey family.

survey-reported SNAP benefit plus 0.24 times taxable earnings, and (ii) the maximum SNAP benefit given the family's size..[56]

Given that every family is modeled as having a probability of exiting the labor force, we need to calculate income and poverty (allowing for behavioral responses) in a way that incorporates these probabilities. We start by creating two versions of each family in the CPS ASEC that reflect the two possible events (not exiting the labor force and exiting the labor force). For individuals in the version of the family that does not exit the labor force, we assign a new set of weights equal to the individual's CPS ASEC weight times the probability that the tax unit in the individual's family does not exit the labor force. For individuals in the version of the family that exits the labor force, we assign another set of weights equal to the individual's CPS ASEC weight times the probability that the tax unit in the individual's family exits the labor force.

Finally, we calculate the number of individuals represented by the first set of weights whose (unadjusted) equivalized post-tax, post-transfer income in the AFP CTC scenario falls below the poverty threshold. And we calculate the number of individuals represented by the second set of weights whose (adjusted) equivalized post-tax, post-transfer income in the AFP CTC scenario falls below the poverty threshold. The sum of individuals across both calculations is the number of people in poverty under the AFP CTC scenario allowing for behavioral responses.

[56] We simulate SNAP benefits in this way because SNAP benefits phase out at a 24% rate with earnings, and because underreporting of SNAP could lead us to overstate the increase in SNAP when not working if we simply assign the maximum SNAP benefit.

Appendix D

This appendix describes how we estimate the number of workers who face an increased implicit marginal tax rate (MTR) as a result of CTC expansion, and the mean increase they face.

Estimating changes in implicit marginal tax rates
For workers with incomes below the point at which the incremental CTC (AFP CTC minus TCJA CTC) begins to phase out, the increase in the implicit MTR on an additional dollar of earnings due to the CTC expansion is equal to the phase-in rate of the TCJA CTC. This includes the phase-in of the ACTC, which phases in at $0.15 per dollar of earnings, and the phase-in of the non-refundable CTC, which phases in at the marginal federal income tax rate of the tax unit (generally 10% or 12% for tax units on the phase-in part of the TCJA CTC schedule)..[57] To infer the phase-in rate of the TCJA CTC, we exploit the fact that a tax unit receiving a strictly positive but less than maximum amount of a particular credit will receive more of that credit if its earnings increase by an additional dollar..[58] The one exception is for tax units on the phase-out portion of the TCJA CTC, those with AGI of $400,000 or more for tax units married filing jointly and $200,000 or more for other tax units.

Specifically, the phase-in rate of the TCJA CTC—and thus the difference in implicit MTR between the TCJA CTC and AFP CTC—can be calculated based on four inputs corresponding to a given tax unit:

- The number of claimed dependents under the age of 17
- The amount of the existing ACTC
- The amount of the existing non-refundable CTC
- The marginal federal income tax rate (MFITR) of the tax unit (which is the same under the TCJA CTC and AFP CTC scenarios)

In the table below, we show how these inputs can be used to determine the phase-in rates. We use the MFITR schedule for the 2018 tax year to maintain consistency with our tax simulations.

[57] Because the non-refundable CTC is applied after the other two major non-refundable credits for lower income families—the Credit for Other Dependents (ODC) and the Child and Dependent Care Tax Credit (CDCTC)—once the non-refundable CTC is eliminated the tax unit will not have these non-refundable credits to take its place.
[58] We will misstate the phase-in rate for the trivial share of tax units with earnings or income exactly $1 below the level needed to receive a particular credit.

Phase-in Rate of TCJA CTC by Observed Amounts of ACTC and Non-Refundable CTC

ACTC	Non-refundable CTC	ACTC + non-refundable CTC	Phase-in rate of TCJA CTC
$0	$0		0%
$0	($0, # Dependents X $2,000)		MFITR
($0, # Dependents X $1,400)	$0		15%
# Dependents X $1,400	$0		0%
($0, # Dependents X $1,400)	($0, # Dependents X $2,000)	($0, # Dependents X $2,000)	15% + MFITR
# Dependents X $1,400	($0, # Dependents X $2,000)	($0, # Dependents X $2,000)	MFITR
		# Dependents X $2,000	0%

Note: Only dependents under age 17 are included in this table. Marginal federal income tax rate (MFITR) is the 2018 statutory marginal tax rate that applies to a tax unit with a given filing type and a given amount of taxable income. Tax units on the phase-out range of the TCJA CTC, with AGI of $400,000 or more for tax units filing jointly and $200,000 or more for other tax units, are excluded from this table.

Mr. SCHWEIKERT. What would you do?

Mr. ADOLPHSEN. Thank you, Representative.

So, really, essentially, the whole thing is what is essentially TANF and its work. If you look at one of the leading predictors of whether someone in recovery will relapse in substance abuse, it is whether or not they have a job. If you look at rates of depression, they are much, much higher among those who are unemployed. Work is really central to the well-being and ultimately the health of the individual, and TANF has recognized that since 1996. That is why the—you know, a big part of why the core objectives revolve around work.

And so what I would do first, particularly as it relates to TANF, is take this incredible resource, which is these available TANF funds that you have right now, that States have right now, and I would put those to work in other welfare programs.

Mr. SCHWEIKERT. But would you—okay. So you would—in your mind, you would use actually sort of the TANF model, which we already are having the conversation of we have bad actors who have been sending the money in ways that are not helping the poor.

And would you consider a universal rethinking and consolidation of—because there are dozens of different silos we have created over the years thinking we are helping and hopeful.

Mr. ADOLPHSEN. Sure. And I think there is an even simpler answer, which is just to take the two largest welfare programs by participants, which are the SNAP program—food stamps—and Medicaid. And, in Medicaid, there are nearly 40 million able-bodied adults, many with kids in the house, all under 133 percent of the federal poverty limit. Same in the food stamp program. There are 10 million able-bodied parents on food stamps.

Those folks are not on our TANF caseloads in the states. They come into the office, and if they are eligible, they walk away with a plastic cart or food stamps or for Medicaid, and we say good luck. TANF was designed to say, we are going to give you some cash, some help, but we are also going to help you. We are going to engage with you. And if we did that for those millions of folks in those other programs, even using—you know, using TANF funds, I think we could close the gap.

Mr. SCHWEIKERT. Thank you.

Mr. Chairman, Ranking Member, I would love to have a much more universal discussion because, you know, I also would love us to have also the discussion of transfer payments, welfare, and health.

And, with that, I yield back.

Chairman SMITH. Thank you.

Mr. Blumenauer.

Mr. BLUMENAUER. Thank you.

Well, I think this is a worthy area for more analysis and discussion. I appreciated our ranking member sort of laying out some of this.

Fifty years ago, as a college student, I participated in a national debate competition, and the subject then was a guaranteed annual income. And we were quoting the Nixon administration, Milton Friedman, being able to deal with some of the complexities here.

People cheat because the complex systems allow it. Nobody fully understands these things. There are opportunities for people to game the system. People are poor because they don't have money.

Mr. Larson is like a laser on the Social Security program. That works. Section 8 housing vouchers are not in sufficient demand, in any state in the union, and that is a very efficient way to use the private sector to provide housing. SNAP benefits, and WIC, providing food for people.

We get all caught up and I think we forget a little bit about how bad it was four years ago in the midst of the pandemic where we had all sorts of people contacting our office because programs didn't work. They broke down. Part of the problem is the complexity. We have managers managing eligibility here, managers overseeing other managers, guardrails.

I mean, for most Americans, we found with the Child Tax Credit, the money went where it was needed, it reduced child poverty, outcomes were improved, and we didn't have to have a bunch of people dealing with the complexity of administering it.

I would hope—and I am on my way out. A hundred days from now, you are on your own. But I really hope that, if we are going to have some serious conversations about this, look at what works: Section 8, Social Security, the Child Tax Credit.

We don't have to have endless bureaucracies and hopeless complexity that people can maneuver around and cheat. Cut to the chase, invest in things that work, get benefits to people who need it, and get rid of the bureaucracy that everybody claims that they are against. We have programs we can invest in that will do a far better job.

I appreciate the witnesses giving us a sense of some of the challenges they face, but I truly think that we ought to trust the American people to be able to invest in things that matter to them. Have special programs, by all means, for people who have special disabilities and that are dealing with addiction and whatnot. But the vast majority of people don't need that. They need money, they need housing, they need food, and everybody would be better off if we invest more in those basics.

Thank you. I yield back.

Chairman SMITH. Mr. LaHood.

Mr. LAHOOD. Well, thank you, Mr. Chairman.

And I want to thank our witnesses for being here today and for your valuable testimony and the opportunity to address this subject.

And I have to say, Mr. Favre, welcome. As a long-suffering Chicago Bears fan, it is tough to see you here today, but there were many years where I was jealous of your success. But you had a wonderful playing career and are well-deserving of the Hall of Fame designation.

I think Brad Schneider probably shares my pain as being a Chicago Bears fan. Look at that. He has got his Bears jersey. There you go, Brad. Yeah. We don't forget that easily.

I am the chair of our Subcommittee on Work and Welfare, and I have to tell you, I am thrilled to look around this room today and see all the people that are here today to talk about TANF. And, last July, our subcommittee held a hearing investigating this same topic: TANF Non-Assistance and Misuse of Funds. And, on that day, we had maybe 30 people in the room. So, as I look around this room here today, this issue is finally getting the attention it deserves, and I want to thank the chairman for prioritizing it.

What we learned at our subcommittee hearing last year was that TANF non-assistance spending lacks basic financial safeguards that are included in most other federal programs, making it easy for states to divert funds and increasing the risk of waste, fraud, and abuse.

Understanding what went wrong in Mississippi is important, but I hope people remember that this is an issue across the country, and what happened in that state is a symptom of the larger problem that requires congressional action to fix it.

And I think it is also important to remember the title of today's hearing: "Reforming TANF: States' misuse of welfare dollars leaves poor families behind." And today is a culmination of 2 years' worth of work that we have done on our Subcommittee on Work and Welfare.

And we have a chart that is behind me here, and this chart provides a timeline and demonstrates the work that our committee has done on TANF. And I want to go through this just to show what led up to the hearing today.

In March 2023, our Subcommittee on Work and Welfare held our first hearing examining work requirements in TANF and the need for reforms to strengthen basic assistance. As a result of that hearing, in May of 2023, we passed the Fiscal Responsibility Act, which included reforms to strengthen TANF and closed loopholes to reinforce work requirements.

In June 2023, we turned our attention to the non-assistance side of TANF, and sent a letter to HHS requesting information on the agency's oversight efforts.

In July of 2023, we held our second hearing on TANF. This hearing focused on reclaiming TANF non-assistance to improve accountability and support work.

In September of 2023, Chairman Smith and I requested GAO to do a nationwide investigation of TANF non-assistance spending, and they have provided a preliminary report of their findings for this hearing today.

And in March, Republican committee members introduced seven new pieces of legislation to reform TANF non-assistance using what we learned from our investigation.

We have done the work and understand what needs to be done. I know this is something that both sides of the aisle care deeply about.

My friend, Ms. Moore from Wisconsin, has shared her concern about the questionable uses of TANF funds in Wisconsin. Ms. Sewell suggested at our Work and Welfare Subcommittee putting together a bipartisan working group during one of our hearings, which is a great suggestion.

Earlier this year, Secretary Becerra came before this committee and confirmed his commitment to work with us on increased accountability and eliminating fraud in the TANF program. And I echo the chairman and hope this hearing provides an opening to start meaningful bipartisan conversations to implement the proper safeguards, strengthen the program, and ultimately help more individuals and families.

A question for you, Mr. Underhile. Based on your experience, can you describe how getting a full-time job with benefits can transform a person's life rather than just getting a welfare check? What does your job mean to you and your family?

Mr. UNDERHILE. It means everything because, if you are homeless and I give you $100, and you spend that $100, you are still homeless. If I don't teach you how to make money and benefit yourself and feed your family and support your family, we are purging money to people that don't care about bettering themselves, in my opinion.

If you don't teach somebody how to make money and how to get a job and keep a job and support their family, what are we giving them money for?

Mr. LAHOOD. Thank you, sir.

I yield back, Mr. Chairman.

Chairman SMITH. Mr. Davis.

Mr. DAVIS. Thank you. Thank you, Mr. Chairman.

And I want to thank all of the witnesses who have come and shared serious information with us.

To begin, I want to applaud the leadership of my friend and colleague, Representative Bennie Thompson from Mississippi, who has fought for years to get federal and state officials to investigate the misuse of TANF in Mississippi.

As ranking member of the subcommittee of jurisdiction over TANF, I am acutely aware of misuse of millions of dollars from struggling families in Mississippi, but TANF is working exactly as the Republican TANF system was designed. Unlike any other law, Republicans insisted on a statutory prohibition on federal oversight that limits transparency, fraud detection, and enforcement.

Mr. Dortch, another Mississippi advocate, asked this subcommittee for help years ago to get the Trump administration to investigate Mississippi's TANF use. We had to direct them to state officials due to this prohibition on enforcement. Even the new GAO report says Health and Human Services has indicated its oversight of state use of TANF funds is constrained by its limited statutory authority. They don't have the authority to do it. Yet, Republican bills to address TANF fraud focus on use by individuals, willfully ignoring fraud by organizations.

Mr. Dortch, I thank you for your tireless work on behalf of families in Mississippi. In 2021, over 350,000 Mississippi families received the enhanced Child Tax Credit which my Republican colleagues ended in 2022. Yet, only about 2,000 families received cash assistance from Mississippi's TANF program with a paltry sum of about $170 in cash a month for a typical family. I believe the state and the people who diverted funds from needed families have a moral obligation to now help those families.

So, Mr. Dortch, is Mississippi giving any of the recovered funds to people to help with food, housing, childcare, and other basic needs? Are the people who misused money intended for poor families doing anything to make up for their actions by helping those struggling families?

I lead a bill to allow HHS to monitor states for this kind of malfeasance, and if they find misuse, to require states to recover and invest that money in income support for struggling families. Do you think that kind of policy would help Mississippi? And, even after this misuse, has the state of Mississippi been transparent to you and other advocates about how TANF contractors use TANF funds accountably.

Mr. Chairman, I also ask unanimous consent to submit additional materials from Representative Bennie Thompson to the record.

Chairman SMITH. Without objection.

Mr. DAVIS. Thank you.

Mr. Dortch, would you respond?

Mr. DORTCH. Sure. The easy answer is no. The State hasn't made any policy changes. We still fail to reach the vast, vast majority of families in need. We haven't put more money towards assisting folks or making sure that money gets to people that need it.

Our State director of our TANF program actually said that it is hard for people to access my program, and he is the State director. So he knows the State has constructed so many different rules, and so many different hoops that it is impossible for families to be able to access this program. And, also, when they try to access this program, if they make a mistake, they can lose their SNAP benefits or other benefits.

We have intentionally made it too complicated, and it is so complicated that people cannot get the benefits. And the thing is, we know what people need. We just have got to trust them. I know that that is not going to be, you know, always the case that people do the right thing, but I think the vast majority of Mississippians that are in need are good people that need some extra cash, that need help with transportation, that need childcare. Those are things that we should be able to easily supply folks. Instead, we make up these different rules and these different nonprofits get organizations.

Families First was treated as a great program while it was running. The Governor bragged about it. He had awards about it. He said we are changing how Mississippi looks at poverty. We are going to change generational poverty in Mississippi. They weren't doing anything, and we were spending $50 million on it when people just need those basic—they have basic needs like childcare, like transportation, like being able to buy groceries.

One other thing. Mississippi makes folks do job searches before they can get TANF. So, if you are living in a county without any jobs—and there are many counties in Mississippi without any jobs—if you want TANF assistance to help you get transportation, you cannot get that assistance until you go through the job search. So we have really gone way too far in making this complicated and punitive towards people that need the assistance.

Mr. DAVIS. Thank you very much.

Thank you for your indulgence, Mr. Chairman.

And I also have a submission from press articles that I would like to submit.

Chairman SMITH. Without objection.

[The information follows:]

BENNIE G. THOMPSON
SECOND DISTRICT, MISSISSIPPI

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September 23, 2024

The Honorable Richard E. Neal
Ranking Member
U.S. House Committee on Ways and Means
Washington, DC 20515

Dear Ranking Member Neal:

I request that the following exhibits be entered into the hearing record. The Mississippi fiasco is a prime example of how not to spend TANF money. According to the Mississippi Office of the State Auditor, the state played fast and loose with TANF funds, blatantly disregarding congressional intent. Many of those who benefited from this misappropriation have yet to be held accountable for their actions. I have written letters to both the Department of Health and Human Services and the Department of Justice urging them to investigate this matter and ensure those responsible are held accountable.

Sincerely,

Bennie G. Thompson

Bennie G. Thompson
Member of Congress

Enclosures:
1. Mississippi's TANF Administrative Barriers – July 9, 2019
2. Formal Complaint Misuse of TANF Funding by the Mississippi Department of Human Services (MDHS) – April 11, 2020
3. Second Formal Complaint – Audit of TANF Funding by MDHS – May 11, 2020
4. Third Formal Complaint – MDHS Misuse of TANF Funds – May 19, 2020
5. No Response to MDHS Complaint Letters – June 12, 2020
6. MDHS Complaint – Brett Favre's Role in TANF Scheme – April 28, 2021
7. Fourth Complaint – Fmr. Governor Phil Bryant's Role in MDHS Misuse of TANF Funds – April 26, 2022
8. Fifth Complaint –MDHS Misuse of TANF Funds – June 28, 2022

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9. Federal Investigation into Fmr. Governor Phil Bryant's Embezzlement of TANF Funds (HHS) – July 15, 2022

10. Federal Investigation into Fmr. Governor Phil Bryant's Embezzlement of TANF Funds (DOJ) – July 15, 2022

BENNIE G. THOMPSON
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July 9, 2019

Sarah Arbes
Acting Assistant Secretary for Legislation
U.S. Department of Health and Human Services
200 Independence Ave, SW
Washington, D.C. 20201

RE: Mississippi's TANF Administrative Barriers

Dear Assistant Secretary Arbes:

I am writing to you to express my grave concerns regarding the series of Temporary Assistance for Needy Families (TANF) administrative barriers that hamper the utilization of the program. In recent years there has been a decrease in the number of Mississippi families assisted under Temporary Assistance for Needy Families (TANF) and the Child Care and Development Block Grant (CCDBG).

As it applies to Mississippi, the following areas are of great concern: Mississippi Department of Human Services (MDHS) is effectively rejecting every TANF applicant, MDHS is refusing million in anti-poverty funds, civil rights violations in the state's child care program, and MDHS has used its discretion to provide millions to third party contractors and individuals living well beyond the poverty line.

Although states are offered a great deal of flexibility in how they administer these programs, Mississippi has provided little to no explanation for its administrative choices.

I ask that you investigate and strongly examine Mississippi's recent program and budgetary decisions under TANF and CCDBG.

If you have any questions or concerns, please contact Ty James in my office at (202) 225-5876.

Sincerely,

Bennie G. Thompson

Bennie G. Thompson
Member of Congress

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April 11, 2020

The Honorable Alex Azar
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Formal Complaint - Misuse of TANF Funding by the Mississippi Department of Human Services

Dear Mr. Azar:

I am writing to express my grave concerns surrounding the recent embezzlement scheme regarding the spending of funds allocated for the Temporary Assistant for Needy Families (TANF) program in Mississippi. After years of suspicion on how TANF dollars were being spent, the misappropriation of funding meant for needy families in the state has finally been exposed. As Congressman for the second congressional district of M ississippi, it is devastating to know that thousands of intended recipients, mainly in my district, are suffering at the hands of a selfish few. This matter is beyond the bounds of troubling, which has led to my submission of this letter as a formal complaint on behalf of the citizens impacted against the Mississippi Department of Human Services.

On July 9, 2019, I wrote a letter to your office e xpressing my concern for the decrease in the number of Mississippi families assisted under Temporary Assistance for Needy Families (TANF) and the Child Care and Development Block Grant (CCDBG). During that time, it was brought to my attention that: the Mississippi Department of Human Services (MDHS) effectively rejected every TANF applicant, MDHS refused millions of dollars in anti-poverty funds, there were civil rights violations in the state's child care program, and MDHS used its discretion to providemillions to third party contractors and individuals living well beyond the poverty line.

In response, the Administration for Children and Families wrote a letter to my office which claimed they:

> "*looked further into Mississippi's TANF application approval data from 2011 and 2015* ", they further stated "*we believe that the state had likely been under-reporting approvals, as the numbers are anomalous with other related data reported to the ACF's Office of Family Assistance (OFA)*". The response also states that: " *ACF has reached out a number of states with unobligated TANF balances, including Mississippi, to encourage the use of TANF funds to help vulnerable individuals enter and move up in the labor market*".

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A report published in 2017 showed more than 11,000 Mississippians applied for TANF. But only 167 were approved. And providers were complaining about the massive TANF wait list even long before that.[1] Out of $135 million in 2018, Mississippi spent just five percent or $7.3 million on direct assistance to poor families.[2]

Rather than serving TANF eligible persons, the state of Mississippi played a shell game of the appearance of a TANF eligible person by circumventing the congressional intent of what TANF funds should be spent for. The actions of these individuals who were relied upon to help the citizens of Mississippi, have in turn worsened the conditions of people who were intended to be helped.

In January, Mississippi's former head of the Mississippi Department of Human Services, John Davis, four colleagues and a former pro wrestler have been charged with carrying out a multimillion-dollar embezzlement scheme to siphon public money for their own personal use.[3] The six are accused of working together to misappropriate funds and falsify records, and they are now under indictment for a range of charges related to fraud and embezzlement.[4] The Mississippi Community Education Center, a non-profit owned by Nancy New who was included in the group of the indicted, with taxpayer money intended to help people out of poverty, provided most of the funding for a volleyball center through an upfront five-year sublease agreement with the University of Southern Mississippi's athletic foundation.

Unfortunately, I am once again filing yet another complaint to address the misuse of funding intended for the betterment of the underprivileged citizens in the state. These individuals took millions in welfare dollars and seemed to fund anything but assistance to the poor, in which that funding was intended to benefit. These shameful actions by people who were placed in positions to supposedly help has turned into one of the biggest fraud schemes in our state.

This mismanagement of funds to help those in need in the state is despicable and unacceptable. I ask that your office investigate the matter outlined above. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

---

[1] Courtney Ann Johnson, *Mississippi Embezzlement Scheme: Red Flags Raised on TANF Spending for Years* https://www.wlox.com/2020/02/07/mississippi-embezzlement-scheme-red-flags-raised-tanf-spending-years/ (2020).
[2] Anna Wolfe, *Why Did a Welfare Organization Pay $5 million to Build a Volleyball Stadium?*, https://mississippitoday.org/2020/02/27/welfare-program-paid-5-million-for-new-volleyball-center/ (2020).
[3] Bill Chappell, *Mississippi's Ex-Welfare Director, 5 Others Arrested Over 'Massive' Fraud,* https://www.npr.org/2020/02/06/803399172/mississippis-ex-welfare-director-5-others-arrested-in-massive-fraud (2020).

[4] *Id.*

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May 11, 2020

The Honorable Alex Azar, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Second Formal Complaint – Audit of Temporary Assistance for Needy Families (TANF) Funding by the Mississippi Department of Human Services

Dear Mr. Azar:

I am writing to you in response to a recent audit of the Mississippi Department of Human Services that revealed how federal welfare grant funds were spent illegally. As referenced in my previous complaint letter to your office, I explained my concerns surrounding the fraudulent expenditure of funds and as expected the Mississippi State Auditor, Shad White, has confirmed exactly what I suspected. It is disheartening to know that the lives of so many in the State of Mississippi have been burdened due to the selfish acts of criminals who decided that millions in welfare funding should be spent elsewhere. This mismanagement of welfare funding has been called the "largest embezzlement scandal on record" by the Mississippi state auditor.[1] Constituents in my district who qualified for the TANF program have been denied those benefits due to this scheme that was devised by Mississippi state officials. It is my duty as a Congressman to bring these known illegal activities to your attention.

The purpose of the TANF program is to help needy families achieve self-sufficiency through employment and to provide them and their children with necessary resources. That purpose has been misused by funding originally intended for this much needed program in our state. According to the audit report, TANF funds were used to purchase expensive cars, sponsor college baseball tournaments, hire family members of top state officials, pay for volleyball stadiums and pay celebrities for services they never provided. [2] Some of the individuals involved in this criminal enterprise are currently facing charges of embezzlement at the local level, not the federal level which as you know TANF are 100% federal.

A 104-page audit of the Mississippi Department of Human Services shows how federal welfare grant funds flowed from DHS into two nonprofit groups, which allegedly spent the cash in inappropriate or

[1] Luke Ramseth, *MS Welfare Scandal Audit Money Went to Pay Brett Favre for Speeches He Never Gave*, Cars, *Family Officials*, https://www.clarionledger.com/story/news/politics/2020/05/04/ms-welfare-scandal-audit-94-m-questionable-spending/3076949001/ (2020).
[2] *Id.*

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questionable ways.[3] The recent audit of the Mississippi Department of Human Services' illegal use of TANF funds revealed the following and more:

- **Welfare funds were used to hire lobbyists**
- **Family members of state officials were hired and paid with TANF dollars**
- **Brett Favre was paid an estimated $1.1 million for appearances and speaking engagements that he was never present for**
- **Three luxury cars were purchased with welfare dollars**
- **Questionable payments made to media outlets**
- **TANF Funds were used to build a volleyball stadium at the University of Southern Mississippi**

This list of the misuse of funds intended for the needy in Mississippi keeps growing longer. This criminal enterprise threatens the existence of TANF funds in Mississippi and could cause for the program to be cut.

Remarkably, certain individuals whose names have been identified in the audit have been granted the ability to repay the funds that were used for their benefit. Either this is an illegal act or it is not. The consequences for being a part of such a scheme should translate equally for all parties involved. This criminal enterprise robbery of TANF funds intended for the poor must be investigated and the guilty must be prosecuted and forced to pay back every cent.

I am again requesting that your office conduct an investigation into any and all TANF funds cited in the audit report. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

[3] Luke Ramseth, *Mississippi Welfare Scandal: Luxury Cars Among $94M in Questionable Spending, Audit Shows*, https://www.usatoday.com/story/news/politics/2020/05/04/mississippi-welfare-scandal-audit-shows-94-million questionable-spending/3080541001/ (2020).

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May 19, 2020

The Honorable Alex Azar, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Third Formal Complaint Against the Mississippi Community Education Center

The Mississippi Community Education Center was operated as a criminal enterprise in the state of Mississippi for several years. They have used TANF monies to conduct this criminal enterprise. This is my third letter asking for this matter to be investigated. I would like to expand my complaint to cover the years of fraudulent practices by the Mississippi Department of Human Services that have led to the exposure of the biggest embezzlement scheme the state has ever seen.

Earlier this month, the Mississippi State Auditor, Shad White, published an audit that questioned the illegal use of $94 million in welfare funds by the Mississippi Department of Human Services (MDHS). The audit only examined spending in fiscal year 2019 and any earlier purchases the office may have identified in the course of the audit, and a contract that spanned multiple years.[1] Although the illegal use of welfare funds by MDHS has recently been exposed, this fraudulent behavior dates back for years. As far back as 2016, the former Mississippi Department of Human Services Executive Director was not properly allocating $35 million in federal Temporary Assistance for Needy Families (TANF) funding.[2] Temporary Assistance for Needy Families attracted national attention in 2017 when MDHS reported rejecting 98.5 percent of welfare applicants the previous year. The agency also reported leaving nearly $50 million in TANF funds unused. The welfare caseload continued to plummet as the state reported spending more money on programming, such as parenting classes and skills training, than on direct payments to poor families.[3] MDHS failed to spend millions in TANF funds, carrying over a large unobligated balance from year to year. After that, the agency stopped publishing its approval rate in annual reports, which shrunk from 108 pages in 2004 to 20 pages in 2019.[4]

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[1]Anna Wolfe, *Feds: Mississippi Must Replace All Misspent or Stolen Welfare Money with State Funds*, https://mississippitoday.org/2020/05/14/feds-mississippi-must-replace-all-misspent-or-stolen-welfare-money-with-state-funds/ (2020).
[2] Nick Judin, *Alleged TANF Fraud Follows Years of Individual Recipient Rejections*, https://www.jacksonfreepress.com/news/2020/feb/11/alleged-tanf-fraud-follows-years-individual-recipi/ (2020).
[3]*Id.*
[4] Anne Wolfe, *Connecting The Dots: Players in Massive Welfare Embezzlement Case Got Millions From Taxpayers, But Helped Few*, https://mississippitoday.org/2020/02/06/connecting-the-dots-players-in-massive-welfare-embezzlement-case-got-millions-from-taxpayers-but-helped-few/ (2020).

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Mississippi was awarded an estimated $130 million yearly by the federal government to use funds as necessary to provide for the state's needy families. Out of $135 million in 2018, Mississippi spent just five percent, or $7.3 million, on direct cash assistance to poor families.[5] That year MDHS gave six times that amount, almost $44 million, to Mississippi Community Education Center, the non-profit at the center of this criminal enterprise.[6] In the same time frame, the nonprofit had helped 94 people complete a resume and 72 people fill out job applications in addition to the educational classes it conducted.[7]

Below is a timeline of events that connect this embezzlement scheme organized by the Mississippi Department of Human Services:

> **Jan 2016**: *Governor Phil Bryant announced his appointment of John Davis, the former director of the Mississippi Department of Human Services and one of six indicted on embezzlement charges for the misuse of welfare funds. During Davis' tenure as Director, Mississippi denied more TANF applicants than any other state in the country.*
>
> **Jul 2016**: *The Mississippi Community Education Center (MCEC), one of the non-profit organizations intertwined in the welfare embezzlement scheme, received $11.4 million in funding for FY2017 after receiving roughly $1.1 million from MDHS the previous year.*
>
> **Jul 2017**: *MDHS doubles funding for FY2018 to MCEC to $22.4 million.*
>
> **Oct 2017**: *MCEC used federal welfare dollars to pay $5 million in cash to build a state-of-the-art volleyball facility on the University of Southern Mississippi campus.*
>
> **Sept 2018**: *The accountant for MCEC conspired to transfer at least $2 million of funds from MDHS to personal accounts.*
>
> **Jan 2019**: *There was an illegal transfer of $750,000 MCEC funds for a personal investment in a medical technology company in Florida, which was the first of many illegal transfers.*
>
> **Oct 2019**: *There was an illegal transfer of $2.1 million from MCEC to two Florida companies using Mississippi Welfare funds.*

As the state doled out money to subgrantees with little accountability, it approved fewer and fewer families for direct assistance. The program served less than 4 percent of children living in poverty in 2018.[8] Mississippi is only required to report in vague categories the way it spends Temporary Assistance for Needy Families (TANF) dollars to the federal government. From 2017 to 2018 alone, MDHS reported spending half what it had spent on work activities, work supports and supportive services and quadrupled the amount spent on parenting classes that were offered by MCEC.[9]

It is unsettling to know that those who were entrusted with positions to provide assistance to needy families, deceived the State of Mississippi by devising this criminal enterprise. Mississippi is one of the poorest states in the nation, with 20% of our citizens living below the poverty line. Imagine the number of children

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[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] Anne Wolfe, *Why Did a Welfare Organization Pay $5 Million to Build a USM Volleyball Facility?*, https://mississippitoday.org/2020/02/27/welfare-program-paid-5-million-for-new-volleyball-center/ (2020).
[9] *Id.*

and families who have suffered as a result of those who believed the state's welfare funds would be better spent for their own personal gains. This is a matter of greed over good. Every individual, for every year that welfare dollars were misused, should be held accountable to the fullest extent of the law.

I again request that your office expand my first and second complaint letters by investigating this criminal enterprise beyond the years included in the recent audit. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie Thompson

Bennie G. Thompson
Member of Congress

cc:

Jarvis Dortch
Mississippi State Representative

Oleta Fitzgerald
Director
Children's Defense Fund's Southern Regional Office

Christi Grimm
Principal Deputy Inspector General
U.S. Department of Health and Human Services

Derrick Johnson
President and CEO
National Association for the Advancement of Colored People

Christopher Wray
Director
Federal Bureau of Investigation

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June 12, 2020

The Honorable Alex Azar
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: No Response to Complaint Letters Regarding Mississippi Department of Human Services Embezzlement Scheme

Dear Secretary Azar:

On April 11, 2020, I wrote a formal complaint letter to your office requesting an investigation into the misuse of Temporary Assistance for Needy Families (TANF) funding by the Mississippi Department of Human Services. This letter was followed by a second and a third complaint letter to your office addressing an audit of the Mississippi Department of Human Services and a complaint against the Mississippi Community Education Center. All three letters have yet to receive a response from your office and a month has passed since my initial letter to your office. I am offended by the lack of responsiveness to my letters, as it is unprofessional and unsatisfactory.

As you will indicate, my complaint letters apply to the criminal enterprise operating in the State of Mississippi using TANF funds. This issue with the Mississippi Department of Human Services is of grave concern to me. My requests for investigations into this criminal enterprise which has spanned over a couple of years, warrants a response from your office. This mismanagement of funds meant for welfare recipients in the state has been called the "largest embezzlement scandal on record", by the Mississippi State Auditor. Constituents in my district who qualified for the TANF program have been denied those benefits due to this scheme that was devised by Mississippi State officials.

My concern for thousands of citizens across the state being denied welfare benefits due to an embezzlement scheme, should not be disregarded by your office. My minimal ask of you is that, when I send a correspondence to your office that I at least receive a timely response.

I have enclosed all three complaint letters for your review that I have filed with your office. I look forward to your response and the results of the investigation, I urge and appreciate your immediate attention to the concerns referenced in this letter. I trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

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cc:

Jarvis Dortch
Mississippi State Representative

Oleta Fitzgerald
Director
Children's Defense Fund's Southern Regional Office

Christi Grimm
Principal Deputy Inspector General
U.S. Department of Health and Human Services

Derrick Johnson
President and CEO
National Association for the Advancement of Colored People

Christopher Wray
Director
Federal Bureau of Investigation

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April 28, 2021

The Honorable Xavier Becerra
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Mississippi Department of Human Services (MDHS) Embezzlement Scheme – Brett Favre

Dear Secretary Becerra:

I am writing to your office again to express my anguish regarding the treatment of certain individuals in the criminal proceedings of the criminal enterprise that was operated at the Mississippi Department of Human Services (MDHS) for several years. Last year it was revealed that the leadership at Mississippi Department of Human Services organized a welfare scandal, and from the work of the current Mississippi State Auditor and others, it was found to be the "largest embezzlement scandal on record" in the state of Mississippi. Pro Football Hall of Famer Brett Favre benefited from the scandal after receiving an estimated $1.1 million in welfare money that was meant to help the most vulnerable in the state.

On September 29, 2020, I wrote a letter to your office that discussed the preferential treatment Mr. Favre has received throughout the process of arresting and convicting individuals who were involved in the scandal. A total of six arrests were made in connection with this criminal enterprise, but Mr. Favre was not arrested. Instead, he was allowed the opportunity to pay back the $1.1 million in welfare funds without criminal consequence.

A celebrity status should not invoke favoritism when a crime is involved in any situation, especially one that has taken food off the table and money out of the pockets of thousands of Mississippians who were impacted by this embezzlement scheme. According to the audit that exposed the scandal, Mississippi could have purchased roughly 3 million diapers with the $1.1 million in welfare funds MDHS paid Brett Favre for speaking engagements he never attended. That equals about a year's worth for 1,145 moms. The average cost of diapers is $80 a month, according to the National Diaper Bank Network.[1]

Mississippi is one of the poorest states in the nation, with 20% of our citizens living below the poverty line. Most of those citizens were left without direct assistance from the state's welfare program due to the selfish and criminal acts of Brett Favre and others involved in this scandal. There should be standard of equity in justice and Mr. Favre should be held to that standard and treated with the same accountability as others.

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[1] Anna Wolfe, *MS Welfare: What We Bought Versus What We Could Have Bought*, https://mississippitoday.org/2020/05/11/mississippi-welfare-what-we-bought-versus-what-we-could-have-bought/ (2020).

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Again, I request that your office investigate this matter. I look forward to your response and the results of the investigation. I urge and appreciate your immediate attention to the concerns referenced in this letter and trust that you will take the actions necessary to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

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SECOND DISTRICT, MISSISSIPPI

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April 6, 2022

The Honorable Xavier Becerra, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Fourth Complaint on Temporary Assistance for Needy Families (TANF) program Embezzlement Scheme in Mississippi

Dear Secretary Becerra:

I am writing to your office to call your attention to the recent revelation of Mississippi's former Governor's alleged role in the state's largest embezzlement scheme to date regarding the Temporary Assistance for Needy Families (TANF) program. While Governor Phil Bryant was in the position to act in the best interest of Mississippians, he allegedly failed to maintain the oath that he took.

I have a written ongoing complaint about the state of Mississippi's improper use of TANF funds. This letter expands that complaint based on certain articles that have been recently published in the Mississippi Today news outlet. In 2019, I wrote to your office after I was informed of the Mississippi Department of Human Services (MDHS), an entity in the center of this scandal, informing you that MDHS rejected almost every TANF applicant and refused millions in anti-poverty funds. In 2020, I wrote to your office again expressing my concerns surrounding Mississippi receiving $135 million for the program and only five percent of the funding was spent on direct assistance to poor families. Again in 2020, I informed your office of an audit that had been conducted by the State Auditor on how funds meant for the state's TANF program had been used illegally.

As a result of new revelations in this scheme, I submitted yet another complaint to your office requesting an investigation into the criminal enterprise that misused millions of dollars of federal funds for the most vulnerable and needy families in the state. Unfortunately, I received a vague and unclear response from your office on every complaint letter I have submitted. I have enclosed copies of the complaints that I have submitted to your office. Based on recent revelations, it appears that the past complaints against Mississippi state officials are incomplete, specifically the attached published stories outline the weakness in the state's investigation.

During his last year as governor, Phil Bryant allegedly indulged NFL legend Brett Favre's pleas for help with a pharmaceutical venture, which ended up receiving more than $2 million in allegedly stolen welfare

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funds from the Mississippi Department of Human Services during Bryant's administration.[1] Governor Bryant used the authority of his office, the weight of his political influence and the power of his connections to help his friend and retired NFL quarterback Brett Favre boost a fledgling pharmaceutical venture.[2] Purportedly after masterminding a deal with his friend Brett Favre, he attempted to cash in on the project when he left office. To accomplish the scheme, Mr. Favre just needed a little more political and financial capital to push the enterprise into the end zone.[3] With the drug company investment, the volleyball arena and other payouts, at least $8 million in misspending auditors identified within Mississippi's larger welfare scandal stemmed from Favre's requests or fees. [4]

The purpose of the TANF program is to help needy families achieve self-sufficiency through employment and to provide them and their children with necessary resources. Rather than serving TANF eligible persons, the former Governor and his friends circumvented the congressional intent of what TANF funds should be spent for. If parties involved in this scheme had not embezzled millions in cash assistance, it could have reached roughly *46,078 families*, or *42 percent* of families living in poverty in Mississippi.

It is unsettling to know that those who were entrusted with positions to help needy families, deceived the State of Mississippi by devising this criminal enterprise. Constituents in my district who qualified for the TANF program have been denied access to benefits that they are eligible to receive due the criminal minds and actions state officials and others involved in this scandal. It is my duty as their Congressman to bring these known illegal activities to your attention, as I have done several times.

The actions of the former Governor and his friends in apparently illegally using a federally funded program meant for poor families is deplorable and unacceptable. If the facts in the enclosed articles are true, then your office has an obligation to investigate and if you find any illegal activities refer them to the necessary authorities for prosecution. I trust that you will take appropriate actions to mitigate these issues. Should you have any concerns, please contact Claytrice Henderson in my Washington, DC office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov.

Sincerely,

Bennie G. Thompson
Member of Congress

---

[1] Anna Wolfe, *8 revelations from Part 1 of 'The Backchannel' investigation* https://mississippitoday.org/2022/04/04/phil-bryant-brett-favre-key-takeaways/ (2022).

[2] *Id.*

[3] *Id.*

[4] Anna Wolfe, *'You stuck your neck out for me': Brett Favre used fame and favors to pull welfare dollars* https://mississippitoday.org/2022/04/06/brett-favre-used-fame-favors-welfare-dollars/ (2022).

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June 28, 2022

The Honorable Xavier Becerra, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Fourth Complaint on Temporary Assistance for Needy Families (TANF) program Embezzlement Scheme in Mississippi

Dear Secretary Becerra:

In 2016, the story broke that the Mississippi Department of Human Services (MS DHS), under Director, John Davis, and the leadership of then Governor Phil Bryant, had wrongfully allocated TANF funds to Mississippi's most wealthy citizens (See attached letters).

This letter serves as my fourth letter of complaint on the improper use of TANF funds in the state of Mississippi. On July 9, 2019, I wrote then Secretary Azar informing him that the Mississippi Department of Human Services (MDHS) had rejected almost every TANF applicant and refused millions in anti-poverty funds. Then, on April 11, 2020, another letter was sent to Secretary Azar concerning the fact that Mississippi received $135 million for the program and only 5 percent of the funding was spent on direct assistance to poor families. Afterwards, on May 11, 2020, I sent a letter to Secretary Azar about a forensic audit conducted by the auditor for the State of Mississippi on how funds awarded to the TANF program had been used illegally. Finally, on May 19, 2020, I sent another complaint letter to Secretary Azar requesting an investigation into the criminal enterprise that misused millions of dollars of federal funds for needy families.

Additionally, it has come to my attention that information and documents recently released in an article published in the *Mississippi Today* newspaper that I need to expand my complaint. Recent revelations on the TANF scandal put on display information that highlights the weakness plaguing the state's investigation in this matter. During his last year as governor, Phil Bryant is said to have solicited NFL legend Brett Favre for help with a pharmaceutical venture, which ended up receiving more than $2 million in TANF funds from the Mississippi Department of Human Services during Bryant's administration.

The purpose of the TANF program is to help needy families achieve self-sufficiency through employment and to provide them and their children with necessary resources. Rather than serving TANF eligible persons, the former Governor and his friends circumvented the congressional intent of TANF funds to rob from the poor and give to the rich. If parties involved in this scheme had not embezzled millions in cash assistance, it could have reached roughly *46,078 families*, or *42 percent* of families living in poverty in Mississippi.

Governor Bryant was the highest-ranking state governing official involved and is legally responsible for making sure programs and public monies that support them are spent in accordance with the law. Communication emails released to the public between Governor Bryant and John Davis are conspicuous. This group intentionally illegally spent and disposed of TANF funds while "needy families" suffered. As a Member of Congress representing one of the neediest congressional districts in this country, I am formally asking your office to expand your investigation based on these recent revelations by the news organization *Mississippi Today*.

The current investigations by state and local agencies do not appear to be thorough as evidenced by news articles that bring up issues not heretofore known to the public. This approach gives the appearance that there is also a cover up of these alleged illegal activities. It is egregious that this investigation is not as thorough as it should be. I trust my complaint will elevate this issue to the highest level in the department where your office, specifically, intervenes in the investigation to pursue expanded charges, requires Mississippi to repay all illegally spent TANF monies, and provides my office with the status of complaints one, two, and three.

If you have any questions or concerns, please contact Claytrice Henderson in my Washington, D.C. office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov. The biggest menace to society is not poverty, its corruption, and in this case, there must be economic justice for needy families!

Sincerely,

Bennie G. Thompson
Member of Congress

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July 15, 2022

The Honorable Xavier Becerra, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20530

RE: Request for Federal Investigation into Former Governor Phil Bryant's Embezzlement of Temporary Assistance for Needy Families (TANF) Funds

Dear Secretary Becerra:

It has come to my attention that the State of Mississippi has consistently misspent Temporary Assistance for Needy Families (TANF) funds. Specifically, Governor Phil Bryant is alleged to have steered money toward individuals who did not meet the criteria for eligibility.

In 2018, the Mississippi Department of Human Services (MDHS) received $135 million in TANF dollars, yet $77 million of those dollars were misdirected due to the influence of the governor's office. The governor's influence was blatantly apparent in a conversation between retired NFL quarterback Brett Favre and a contractor regarding the new MDHS Director, Christopher Freeze's attentiveness to where funds were being directed. In the text message conversation, Brett Favre referred to another conversation where the new director was classified as "*not being their type*", the contractor responded, "*well we may need the governor to make him our type*."[1] Governor Phil Bryant, has clearly taken actions consistent with ensuring Mississippi's poorest citizens are denied welfare funds meant to benefit their households.

Mississippi Auditor Shad White has identified numerous questionable and possibly illegal expenditures relative to the misspent TANF funds in a 2020 audit report. Phil Bryant should have known better than to do what he did with this funding meant for families in need.

In **January of 2016**, Governor Phil Bryant announced his appointment of John Davis, the former director of the Mississippi Department of Human Services and one of six indicted on embezzlement charges for the misuse of welfare funds. In **July of 2016**, The Mississippi Community Education Center (MCEC), one of the non-profit organizations intertwined in the scheme, received $11.4 million in funding for FY2017 after receiving roughly $1.1 million from MDHS the previous year. In **July of 2017**, MDHS doubled its funding for FY2018 to MCEC to $22.4 million. In **October of 2017**, MCEC used federal welfare dollars to pay $5 million in cash to build a state-of-the-art volleyball facility on the University of Southern Mississippi campus. In **September of 2018**, the accountant for MCEC conspired to transfer at least $2 million of funds

[1] Alex McDaniel, *Brett Favre Solicited Welfare Money from Mississippi, and It's Time to Pay Up*, https://www.clarionledger.com/story/sports/2022/05/13/brett-favre-solicited-welfare-money-mississippi-time-pay-up/9766171002/ (2022).

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from MDHS to personal accounts. In **January of 2019**, there was an illegal transfer of $750,000 MCEC funds for a personal investment in a medical technology company in Florida, which was the first of many illegal transfers. In **October of 2019**, there was an illegal transfer of $2.1 million from MCEC to two Florida companies using Mississippi Welfare funds.

Previously, the court evidence showed that the funds were misspent under the leadership of former Governor Phil Bryant amidst speculation that Bryant was directly involved. We now know from a Hinds County Court filing that Governor Bryant has been formally accused of directing the MS DHS to direct $1.1 million to Brett Favre. The people of Mississippi are entitled to a proper investigation into the embezzlement of TANF funding meant for families in need. It is egregious that news reports produce critical information that has yet to be addressed in the current investigations by state and local agencies.

This gross misuse of TANF dollars must illicit a review of former Governor Phil Bryant's involvement. Such an investigation should also examine the intolerable activity of retired NFL quarterback Brett Favre and how his actions were aided by Governor Bryant.

I urge you to work with the Department of Justice to conduct a federal investigation into the Mississippi TANF embezzlement scheme that centers around the role of former Governor Phil Bryant. The people of Mississippi deserve answers, and accountability for breaking the law must he upheld for all who were involved: especially for Governor Bryant.

If you have any questions or concerns, please contact Claytrice Henderson in my Washington, D.C. office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov. No one, especially our elected officials, is above the law.

Sincerely,

Bennie G Thompson

Bennie G. Thompson
Member of Congress

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July 15, 2022

The Honorable Merrick B. Garland
United States Department of Justice
950 Pennsylvania Avenue NW
Washington, D.C. 20530-0001

RE: Request for Federal Investigation into Former Governor Phil Bryant's Embezzlement of Temporary Assistance for Needy Families (TANF) Funds

It has come to my attention that the State of Mississippi has consistently misspent Temporary Assistance for Needy Families (TANF) funds. Specifically, Governor Phil Bryant is alleged to have steered money toward individuals who did not meet the criteria for eligibility.

In 2018, the Mississippi Department of Human Services (MDHS) received $135 million in TANF dollars, yet $77 million of those dollars were misdirected due to the influence of the governor's office. The governor's influence was blatantly apparent in a conversation between retired NFL quarterback Brett Favre and a contractor regarding the new MDHS Director, Christopher Freeze's attentiveness to where funds were being directed. In the text message conversation, Brett Favre referred to another conversation where the new director was classified as "*not being their type*", the contractor responded, "*well we may need the governor to make him our type*."[1] Governor Phil Bryant, has clearly taken actions consistent with ensuring Mississippi's poorest citizens are denied welfare funds meant to benefit their households.

Mississippi Auditor Shad White has identified numerous questionable and possibly illegal expenditures relative to the misspent TANF funds in a 2020 audit report. Phil Bryant should have known better than to do what he did with this funding meant for families in need.

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[1] Alex McDaniel, *Brett Favre Solicited Welfare Money from Mississippi, and It's Time to Pay Up*, https://www.clarionledger.com/story/sports/2022/05/13/brett-favre-solicited-welfare-money-mississippi-time-pay-up/9766171002/ (2022).

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to build a state-of-the-art volleyball facility on the University of Southern Mississippi campus. In **September of 2018**, the accountant for MCEC conspired to transfer at least $2 million of funds from MDHS to personal accounts. In **January of 2019**, there was an illegal transfer of $750,000 MCEC funds for a personal investment in a medical technology company in Florida, which was the first of many illegal transfers. In **October of 2019**, there was an illegal transfer of $2.1 million from MCEC to two Florida companies using Mississippi Welfare funds.

Previously, the court evidence showed that the funds were misspent under the leadership of former Governor Phil Bryant amidst speculation that Bryant was directly involved. We now know from a Hinds County Court filing that Governor Bryant has been formally accused of directing the MS DHS to direct $1.1 million to Brett Favre. The people of Mississippi are entitled to a proper investigation into the embezzlement of TANF funding meant for families in need. It is egregious that news reports produce critical information that has yet to be addressed in the current investigations by state and local agencies.

This gross misuse of TANF dollars must illicit a review of former Governor Phil Bryant's involvement. Such an investigation should also examine the intolerable activity of retired NFL quarterback Brett Favre and how his actions were aided by Governor Bryant.

I urge you to work with the Department of Health and Human Services to conduct a federal investigation into the Mississippi TANF embezzlement scheme that centers around the role of former Governor Phil Bryant. The people of Mississippi deserve answers, and accountability for breaking the law must he upheld for all who were involved: especially for Governor Bryant.

If you have any questions or concerns, please contact Claytrice Henderson in my Washington, D.C. office at 202-225-5876 or via email at claytrice.henderson@mail.house.gov. No one, especially our elected officials, is above the law.

Sincerely,

Bennie G. Thompson
Member of Congress

https://mississippitoday.org/2022/04/06/brett-favre-used-fame-favors-welfare-dollars/

'You stuck your neck out for me': Brett Favre used fame and favors to pull welfare dollars

Text messages obtained by Mississippi Today show how Brett Favre pressed Mississippi welfare officials to steer taxpayer funds to his pet projects — one of which he planned to profit from. This article is a supplement to Part 1 of "The Backchannel" investigation, which exposed new evidence of former Gov. Phil Bryant's role in the welfare scandal.

by **Anna Wolfe**April 6, 2022

Former NFL quarterback Brett Favre had a way with Mississippi government officials.

Whether the football star was looking for funds to boost a startup company that he thought would make him rich or angling to take credit for building a new volleyball stadium at his alma mater, Favre knew he could count on Mississippi's governor, the state's welfare chief and a grant-funded nonprofit director to help him out.

He wasn't shy about sweetening the deal for others or trading on his own fame and connections to secure a financial bailout. Favre, the Hall of Fame quarterback and home-state hero, had special access to Gov. Phil Bryant and people who controlled the state's welfare spending.

Part 1: Phil Bryant had his sights on a payout as welfare funds flowed to Brett Favre

Favre said a nonprofit director Nancy New gave him $5 million in grant funds to build a volleyball stadium at University of Southern Mississippi – a payment that could be part of forthcoming civil litigation. A pharmaceutical company Favre backed, called Prevacus, also ended up receiving $2.15 million in allegedly stolen funds from the Mississippi Department of Human Services. The quarterback collected an additional $1.1 million welfare dollars personally.

In the course of his dealings on behalf of Prevacus or the volleyball stadium, Favre proposed the following:

- Give then-Gov. Phil Bryant shares in Prevacus, or transfer his own personal shares to the governor
- Give nonprofit founder Nancy New shares in Prevacus
- Buy then-MDHS director John Davis a F-150 Raptor — Ford's top-of-the-line pickup truck
- Convince New and Davis to pay off more than $1 million he owed on the volleyball facility
- Ask the governor for a meeting with the replacement MDHS director for more volleyball money
- Convince USM to finance Prevacus in exchange for stock for himself
- Aim to take home $20 million

Favre's efforts to entice a welfare contractor with stock in Prevacus — which are central to embezzlement charges against Nancy New and her son, Zach New — are among the revelations of Mississippi Today's investigative series, "The Backchannel."

Discourse around the welfare scandal has been at times hyper focused on the fact that the money that officials misspent came from a federal program called Temporary Assistance for Needy Families, known for providing the welfare check. Many recipients of the funds have said they would have never knowingly taken money from the poor. But the narrow lens on TANF in the case of Prevacus ignores the reality that almost all the federal grants Mississippi Department of Human Services administers have to do with protecting the vulnerable – and there's no scenario where it's proper for MDHS grant money to flow to a private business outside the view of the public.

With the drug company investment, the volleyball arena and other payouts, at least $8 million in misspending auditors identified within Mississippi's larger welfare scandal stemmed from Favre's requests or fees. New's nonprofit, called Mississippi Community Education Center and primarily funded by MDHS, directly paid Favre more than $1 million to be a spokesman for the Families First for Mississippi program. He's since returned those funds, but the auditor says Favre still owes $228,000 in interest on the money he improperly received. Current MDHS Director Bob Anderson said last October that the department would be filing civil charges against Favre along with many others, but is awaiting approval from the attorney general.

While Favre has said he didn't know the funding he received was from a program that is supposed to help the poor, text messages obtained by Mississippi Today show he knew he was dealing in government grants. Favre has not been accused of a crime within the scheme and declined to interview with Mississippi Today.

Below is a breakdown of Favre's dealings with Mississippi officials and welfare-funded projects. Mississippi Today has reviewed hundreds of pages of written communication, which are reprinted here exactly as they appear without correction.

Give then-Gov. Phil Bryant shares in Prevacus

At the very start of their discussions with the governor, Favre and his business partner, Florida neuroscientist and Prevacus owner Jake Vanlandingham, suggested motivating Bryant to lend his support by giving him shares in the company, which said it was developing medication to deal with concussions.

Vanlandingham, who himself suffered severe brain injury as a young man, has worked since 2012 on finding a solution to the concussion crisis. He told Mississippi Today his priority is to prevent brain damage and save lives, but like any startup, he needed capital to realize his vision – and it was common for him to offer company incentives in exchange for the help of influential figures.

"I guess we verbally ask the Governor what the rules are to compensate him," Vanlandingham texted Favre in late 2018. "Worse case scenario I give you more stock that as an individual u can transfer to him. But let's avoid trouble at all cost."

Favre later wrote, "Group text the governor and tell him we want to give him shares but don't want to get anyone in trouble."

The athlete and scientist had talked like this for years, brainstorming potential partners. Bryant eventually agreed by text to accept a company package two days after he left office, Mississippi Today first reported. Bryant denied that he was ever going to take stock in the company, despite text messages that show he continued to discuss a business deal with Vanlandingham until arrests derailed the arrangement.

Wake up informed

Give Nancy New shares in Prevacus

Two days after their first meeting with the governor, Favre sent the contact information for Nancy New and told the scientist to reach out to her. “Offer her whatever you feel like,” Favre wrote.

After Vanlandingham’s first conversation with New, Favre asked, “Did you and Nancy discuss shares or commission?”

“We did briefly. She was all about it but graceful in saying she loved the cause and how much it could help kids. She has 4 grandkids,” the scientist said.

“I figured that if you mentioned it most likely she would refuse. I believe if it’s possible she and John Davis would use federal grant money for Prevacus,” Favre said.

Directly after their meeting with New and Davis at Favre’s house, Vanlandingham texted New to say that he would like to give her 50,000 shares in his company, according to documents attached to a state court filing. She said she would have helped him regardless, but thanked him for the gesture.

Vandlandingham relayed this exchange to Favre, who responded, “Hell we giving her something.”

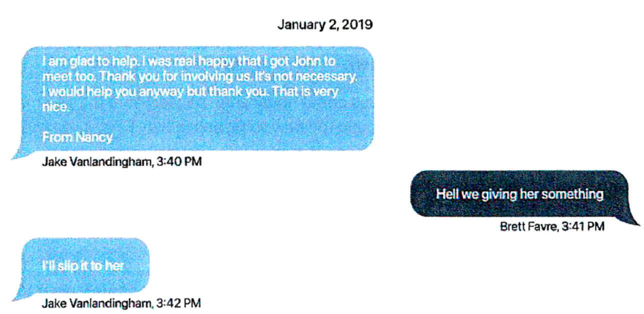
“I’ll slip it to her,” the scientist wrote.

New began paying Prevacus a couple weeks later in late January of 2019, the indictment against her alleges. Two months after that, Vanlandingham updated Favre on the status of New’s ownership in the company.

“Nancy did get approval now to take 50k in shares from Prevacus. I gave her the good shares that won’t cost her or have a tax requirement,” the scientist wrote.

“Now that’s awesome,” Favre said.

Prosecutors have accused New of embezzlement for allegedly paying $2.15 million in welfare money to Prevacus and its affiliate company PreSolMD in exchange for personal stock, among several other charges, and could face hundreds of years in prison.



Credit: Graphic by Bethany Atkinson

Buy John Davis a F-150 Raptor

After first connecting with New, Vanlandingham texted Favre to ask if he knew John Davis, the director of Mississippi Department of Human Services, the New nonprofit's primary source of funding.

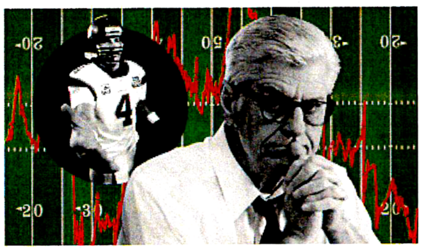
"Yep. He is just like her," Favre wrote.

Favre was in direct communication with Davis. The welfare director texted the athlete on Easter in 2019 to thank him for his friendship.

"John thank you very much and I am very proud to call you my friend!!! Have a wonderful blessed day," Favre responded.

The week Prevacus was supposed to receive its first round of funding from New, Favre texted his partner: "This all works out we need to buy her and John Davis surprise him with a vehicle I thought maybe John Davis we could get him a raptor."

Minutes later, Favre followed up: "Honestly give me your thoughts on what you think all this means ... When we will make money."



Before national news covered the welfare scandal, Mississippi Today exposed it first.

Sign up for our free daily newsletter to get the latest updates on the welfare scandal.

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Get New and Davis to pay off a $1.1 million debt

Around the same time, Favre was getting nervous about holding the bag for more than $1 million that the Southern Miss Athletic Foundation needed to build the new volleyball facility Favre promoted.

"Hey brother Deanna and still owe 1.1 million on Vball," Favre texted Davis, referring to his wife, Deanna Favre. "Any chance you and Nancy can help with that? They don't need it at the moment."

"You and Nancy stuck your neck out for me with jake and Prevacus I know and that's going to turn out very good I believe," he added.

"Good to hear from you. Let me see what we can do," Davis responded. We certainly want to see the VBall project come together. I'll get back with you tomorrow.

"We value you Brett and are willing to always be supportive. Did not look at it as sticking our neck out as much as helping a friend and potentially many many more who are in need if treatment," the welfare director added.

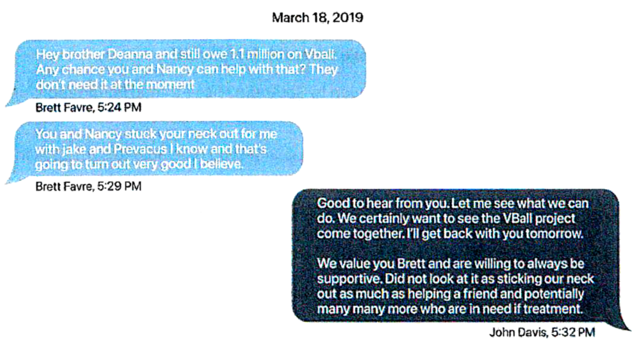
But as the auditor was about to launch an investigation into Davis' department, grant funding was up in the air.

"I still owe 1.2 for the Vball complex on campus and not sure if Nancy and John can keep covering for me," Favre texted his business partner.

The volleyball money never came.

A couple months later in July, Favre texted Vanlandingham: "Here is my dilemma which isn't your concern. Nancy has been awesome to me and has paid 4.5 million for a 7 million dollar facility. And she said it was all gonna be taken care of until this morning. Suddenly she said I don't think I can do anymore. So now I am looking at a big pay out."

New, a USM alumnus, sat on the athletic foundation's board. Davis also graduated from the university.



Credit: Graphic by Bethany Atkinson

Ask the governor for a meeting with the replacement MDHS director for more volleyball money

Bryant kicked Davis out of office in late June when an MDHS employee alerted the governor to a small instance of alleged fraud by the director. When Bryant's new director Christopher Freeze came in, Favre convinced the governor to hold a meeting so he and New could ask Freeze about more funding for their project, Freeze told Mississippi Today.

Bryant recalled that they were discussing the volleyball center. Freeze said he told them, "No," and that the department had reinstituted a bidding process for TANF funds, which hadn't happened since Bryant's first year in office.

Once Vanlandingham got word that Davis had left MDHS, he asked Favre what the new director was like, and the quarterback responded, "Nancy said he ain't our type." The scientist quipped that they may need the governor "to make him our type."

After the arrests, Vanlandingham texted Favre that he thought the investor they were close to securing was going to fall through, and that he was trying to scrape funds together to keep the drug development on track. Favre said he couldn't help.

"I would but up to my eyeballs in vball debt," Favre texted on February 11, 2020, six days after the auditor arrested Davis and New under indictments naming Prevacus.

Days earlier, The Associated Press quoted Favre saying that he raised the funds to build the volleyball center.

"We wanted to do something for a high school and (Southern Miss)," he told the AP. "...And for Southern Miss, that was difficult — it's hard to get people to donate for volleyball. But we'll be opening an $8 million facility that will be as good as any in the country at Southern Mississippi."

"One of the things I am most proud of about all the things I have been able to achieve is being able to give away so much money and help so many people with Favre4Hope," he added. "Special Olympics, Cystic Fibrosis, Make-A-Wish Foundation, a big chunk of money to the Children's Hospital in Minneapolis, to St. Jude and to Ronald McDonald House."

"It would be a shame if people who can help don't help. By no means are we perfect, but we do try to give back," Favre said.

Convince USM to finance Prevacus in exchange for stock for himself

In 2017, several months before New sent $5 million to Southern Miss Athletic Foundation for the volleyball building, Vanlandingham suggested approaching USM to finance Prevacus.

"I mean if you and him for example can get USM to put up 3.5M you'd be able to earn 280k in either stock/cash or a combo," Vanlandingham texted Favre.

"If it passes the smell test I can get them to put the money up!!" Favre responded.

In late 2018, after they brought Bryant in, they revisited the prospect of working with Southern Miss.

"I guess between you, her and the governor we can get southern miss to work with us on prevacus project. We will give southern miss a good patent royalty position so when the drug gets approved they will make many many millions," Vanlandingham texted Favre two days after their meeting with the governor in late 2018.

Aim to take home $20 million

Favre and Vanlandingham, a neuroscientist from Florida, spoke frequently for years, texts show, about how much money they stood to make if only they could get their concussion treatment drug through human trials and FDA approval.

Previously, Favre had similarly pushed an expensive new compounded pain cream that the FBI later investigated, uncovering a more than $515 million health insurance fraud scheme based in Mississippi that led to at least 20 convictions, Hattiesburg American reported. Officials did not accuse Favre of a crime within the scandal.

When Prevacus started engaging Favre, concussions were a hot button issue in the NFL at the time, and the star quarterback was not only an obvious choice as a sponsor for Prevacus, but an aspiring businessman eager to capitalize on the phenomenon.

"Call me crazy but my goal is to take home 20 million when it's all said and done," Favre texted Vanlandingham in 2018.

Another time, Favre asked, "And it doesn't have to pass fda approval to make money correct?"

The scientist texted Favre grand promises of financial returns, but also attempted to manage the athlete's expectation in dry banter.

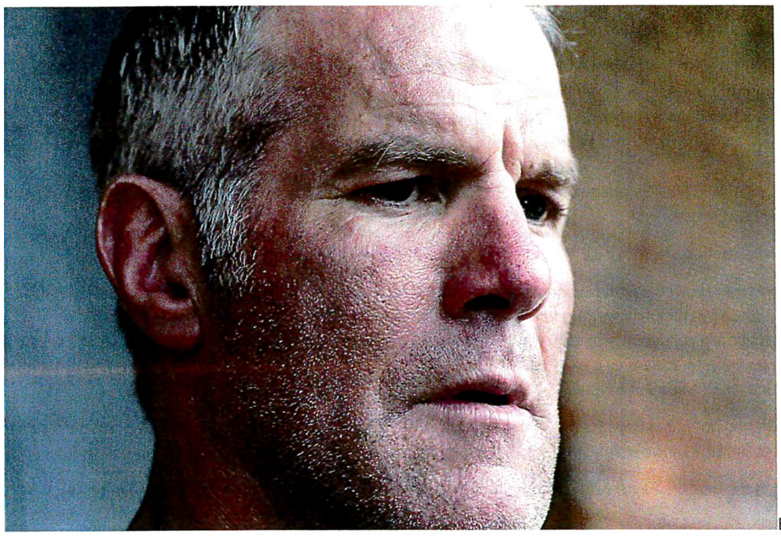
"If phase 1 kills people we are done," Vanlandingham texted Favre in 2019, a few weeks after receiving its first payment from New, "if it's safe we move on and raise the next money."

This is a supplement to Part 1 in Mississippi Today's series "The Backchannel," which examines former Gov. Phil Bryant's role in the running of his welfare department, which perpetuated what officials have called the largest public embezzlement scheme in state history.

https://mississippitoday.org/2022/11/28/brett-favre-says-welfare-probe-has-ignored-gov-bryants-role/

Brett Favre says welfare probe has ignored Gov. Bryant's role

by Anna WolfeNovember 28, 2022



Brett Favre is one of 47 defendants in a civil case that the Mississippi Department of Human Services, the state's safety net agency, filed in an attempt to recoup $77 million in misspent or stolen welfare funds. (AP Photo/Rogelio V. Solis, File)

Former NFL quarterback Brett Favre nagged former Gov. Phil Bryant for help funding a new volleyball facility at his alma mater and a pharmaceutical start-up he had invested in.

Bryant's subordinates then funneled a total of $7.1 million in federal welfare funds to the two projects, plus another $1.1 million to Favre himself, within what officials have called the worst public fraud scheme in state history.

Favre now says he's receiving all the blame while officials are letting Bryant off the hook.

In a new motion to dismiss civil charges against him, Favre argues the state welfare department, Mississippi Department of Human Services, has neglected the roles of former Gov. Bryant and the auditor Bryant appointed, Shad White, in the misspending of millions of welfare funds.

"MDHS also has ignored the numerous public officials responsible for overseeing MDHS, such as former Governor Dewey Phillip Bryant and current State Auditor Shad White, who, despite his statutory obligation to conduct annual audits of MDHS, did not 'question' MDHS's transfers of tens of millions of dollars to MCEC (Mississippi Community Education Center) until 2020, nearly five years after those transfers began," reads Favre's motion, filed by his Austin, TX-based attorney Eric Herschmann.

The welfare department's civil suit, filed last May, alleges Favre agreed with MDHS Director John Davis and nonprofit founder Nancy New to transfer $2.1 million in funds from the federal Temporary Assistance for Needy Families program to a pharmaceutical company called Prevacus, in which Favre was a major stakeholder. The suit also alleges Favre took $1.1 million in TANF funds for work he didn't conduct.

Favre denies both allegations, alleging MDHS has fixated on the two items Favre publicly supported — Prevacus and the volleyball project — as a way of "blaming Favre, publicizing his involvement, and bringing its baseless claims against him in this lawsuit."

The civil suit, which targets 38 individuals or companies, only seeks to recoup $24 million of at least $77 million that forensic auditors found was misspent. Favre argued MDHS is "selectively suing only a fraction of those who allegedly received the funds, while inexplicably ignoring the numerous other recipients."

Favre has received significant national coverage in recent months for his proximity to a deal in which officials converted $5 million in welfare funds to build a state-of-the-art facility for University of Southern Mississippi's volleyball program, where his daughter played. The fraud scheme, which involved dressing up the stadium to appear as a wellness center for impoverished Mississippians, led to a criminal conviction against New's son Zach New.

Favre has not faced any charges in connection with that deal. Gov. Tate Reeves directed the welfare agency not to include the volleyball project — the largest known purchase within the scandal — in its civil suit.

But in his motion, Favre called out the former governor and others for perpetuating the scheme.

"Davis and New did not (and could not have) authorized structuring the $5 million in funding as a sublease on their own," the filing reads. "They needed and obtained the approval and assistance of other State officials and agencies—including Governor Bryant, the Attorney General, the Mississippi Institutions of Higher Learning, Southern Miss itself, and the Southern Miss Athletic Foundation."

The motion also confirms that then-Southern Miss Athletic Director Jon Gilbert introduced Favre to New, who sat on the Southern Miss Athletic Foundation board.

"New was well connected with numerous Mississippi officials, including Davis and then-Governor Bryant, and close friends with Governor Bryant's wife Deborah Bryant," it said.

The money in question flowed through New's nonprofit, Mississippi Community Education Center, or MCEC, and therefore out of sight from public view. Favre zoned in on New's connections to state officials, even corralling current Gov. Reeves into his rebuttal.

"State officials like Davis, former Governor Bryant, and current Governor Reeves were aware that New, through MCEC, used State money to provide services and funding to various State initiatives, through, among other things, the Family First Initiative of Mississippi, an anti-poverty program which was started by Governor Bryant in conjunction with other state officials," his filing reads. "Deborah Bryant and New hosted fundraisers together at the governor's mansion. Governor Reeves even filmed a campaign ad in 2019 at New's school."

For years, the misspending went unnoticed by the state auditor's office as MDHS dismantled internal controls, failing to keep so much as a list of organizations it funded.

Bryant appointed White, his former campaign manager, to state auditor in July of 2018. White's investigation into welfare misspending began after an MDHS employee brought a small tip about Davis' potential fraud to Bryant in June 2019.

White made six arrests in the case, including Davis and New, in February 2020. The payments to Prevacus were central to the indictment. A day earlier, Bryant had scheduled a meeting with Prevacus' founder Jake Vanlandingham, a Florida neuroscientist who offered the governor stock in the company in exchange for his help, according to texts Mississippi Today obtained two years later. The texts showed Favre had even excitedly texted Bryant to tell the governor when they finally started receiving funding from the state in early 2019.

Days after the arrest, Bryant cut ties with the scientist and White publicly named Bryant as the "whistleblower" in the case.

"State Auditor White—who was previously Governor Bryant's campaign manager and policy director and was appointed State Auditor by Governor Bryant—made this (whistleblower) designation knowing that Governor Bryant was both aware of and supported MCEC's payments to Prevacus at issue in this lawsuit, as well as its $5 million payment to Southern Miss in connection with the construction of a wellness center," Favre's filing reads.

In Favre's motion, his first significant jab in the case, the athlete argues that the welfare department has targeted him for his celebrity in an attempt to divert attention away from its own wrongdoing.

Mississippi Today first connected Favre to the welfare scandal in February 2020 in its reporting on the welfare-funded volleyball stadium at the University of Southern Mississippi and Favre's attempts to lure Prevacus to Mississippi with Bryant's help. White made the first official finding against Favre in his annual audit released in May of 2020. The report noted that his company, Favre Enterprises, received $1.1 million under a promotional contract, including supposed appearances at which "the individual contracted did not speak nor was he present for those events."

Favre has repeatedly denied that he failed to fulfill the terms of his agreement with the nonprofit. Mississippi Today obtained a 2018 invoice that shows conservative talk radio network SuperTalk ran Favre's ad promoting Families First more than two dozen times during a three-month period.

"As to the $1.1 million MCEC paid Favre," Favre's motion reads, "it did so in exchange for Favre agreeing to perform services for MCEC, including recording a radio advertisement promoting Families First of Mississippi, a program launched by Governor Bryant, in conjunction with MDHS and MCEC, to provide services to needy Mississippians."

Favre returned the $1.1 million — a fact he laments is missing from MDHS's complaint — but the auditor's office maintains that he still owes interest on the funds.

"It's ludicrous to say that Mr. Favre has been singled out in any way," the auditor's office said in a statement Monday evening. "And as far as our office is concerned, Mr. Favre remains liable for $228,000 in interest for nonperformance of the contract in question."

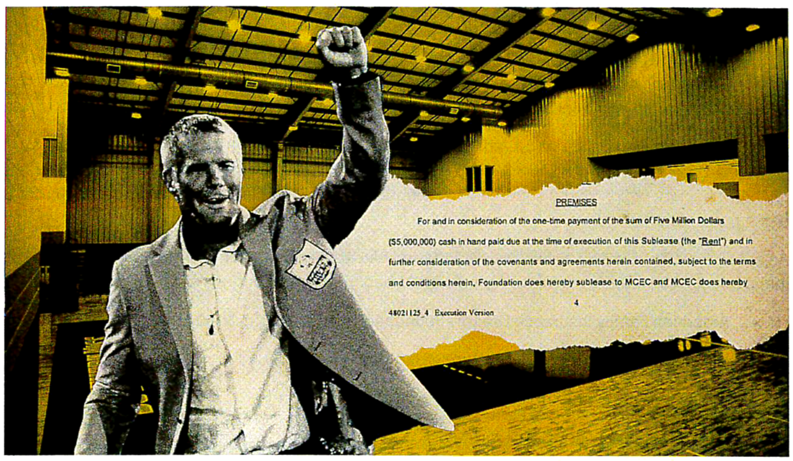
https://mississippitoday.org/2023/04/13/brett-favre-volleyball-aaron-rodgers-jimmy-buffett/

The Backchannel

Brett Favre says the welfare agency didn't help satisfy his volleyball pledge, but Aaron Rodgers, Jimmy Buffett and others did

A major question in the Mississippi welfare scandal remains unanswered: Did NFL Hall of Famer Brett Favre personally benefit from the flow of federal welfare dollars to construct a volleyball center at his alma mater? A newly obtained private donor list that includes Favre's NFL replacement, the charity of a Trop rock icon, the campaign committee of a former governor — plus a new revelation from Favre's spokesperson — could get taxpayers a step closer to an answer.

by Anna WolfeApril 13, 2023



Credit: Graphic by Zack Orsborn

NFL legend Brett Favre says Mississippi's welfare department didn't help satisfy his pledge to fund a new volleyball stadium at University of Southern Mississippi.

But current Green Bay Packers quarterback Aaron Rodgers, a charity started by Margaritaville-songwriter Jimmy Buffett, and former Gov. Phil Bryant's political action committee did.

Favre has made national news in recent years for tapping his home state's welfare agency to raise funds for the stadium, but an email Mississippi Today recently obtained shows he also raised at least $180,000 for the facility from at least four charities. These are organizations that claim to increase economic, educational or workforce opportunities for families in need.

One of the key allegations against Favre in Mississippi's welfare scandal is that he personally benefited from a scheme to divert federal funds intended to help poor Mississippians to build a volleyball stadium at his alma mater.

Mississippi Department of Human Services, which is suing Favre and dozens of others to recoup the misspent funds, draws this conclusion because, they allege, Favre personally committed funds to the project, so any welfare money used to offset that obligation was a financial benefit to Favre.

The athlete, who also directly received $1.1 million in welfare funds, did personally agree to fundraise or donate just over $1.4 million, according to a never-before-published donor agreement introduced in court this month. The document was signed by Favre, his wife, and University of Southern Mississippi Athletic Foundation President Leigh Breal.

But this guarantee came months after Mississippi Department of Human Services and one of the agency's subgrantees, nonprofit Mississippi Community Education Center, had already crafted a lease agreement allowing them to funnel $5 million in federal welfare funds to the project.

In Favre's latest reply to MDHS in early April, his attorneys accuse MDHS of using legal fallacies in its civil charges against Favre.

"MDHS's theory would effectively place no limits on UFTA (Uniform Voidable Transactions Act) liability—anyone could be sued who could in any way be deemed to have reaped some undefined benefit from a transfer," Favre's latest motion reads. "That of course is not the law in Mississippi or anywhere else."

Since Mississippi Today first uncovered in February of 2020 that officials used welfare money to build the volleyball stadium, the entities involved have not made public a full accounting of who paid for the roughly $8 million facility, which would show who contributed to the project following Favre's commitment so he didn't personally have to.

An email recently obtained by Mississippi Today reveals publicly for the first time that, at least by the time initial arrests were made, the following individuals had made contributions towards Favre's pledge:

- American Family Insurance Dreams Foundation Inc. (6/22/18): $100,000
- Imagine Mississippi Political Action Committee (6/4/18): $2,500
- Anonymous Donor (7/30/18): $150,000
- SFC Charitable Foundation (7/10/18): $33,378
- Brett Favre (8/16/18): $50,000
- Steel Dynamics Foundation (7/9/19): $25,000
- Aaron Rodgers (10/10/19): $10,000
- Howard Deneroff (1/7/20): $500
- Jimmy A. Payne Foundation (1/13/20): $22,000
- Matt Helms (1/24/20): $360,000

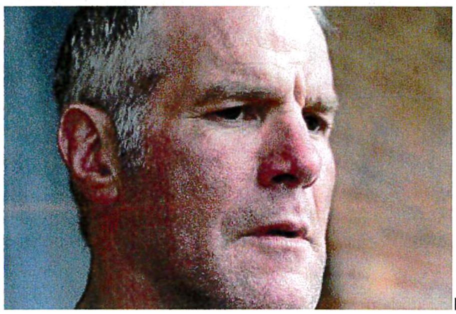
Favre attached this email to his most recent court filing, but redacted the donors' names. Mississippi Today retrieved an unredacted copy, which University of Southern Mississippi should have produced to the news organization in response to a public records request last year, but did not.

The list does not implicate Rodgers, Buffett, or any other private donor in the welfare scheme. But the email serves as a key piece of evidence in Favre's defense.

The gifts cited total just over $650,000. Documents reflecting the total amount Favre personally contributed towards the project have not been made public, but his lawyer Eric Herschmann told conservative sports podcaster Jason Whitlock in a February interview that Favre donated over a million dollars of his own money to the facility. Also, The Athletic first reported that from 2018 to 2020, the same years Favre had an obligation to fund the volleyball construction, his charity Favre 4 Hope donated nearly $133,000 to USM Athletic Foundation.

In addition to the $5 million in welfare funds that went towards the facility, Nancy New, founder of the nonprofit in charge of spending welfare funds, alleged that former Gov. Bryant directed her to make $1.1 million in payments to Favre to help Favre raise funds for the stadium — an allegation Bryant has denied to the press.

But a spokesperson for the athlete recently confirmed that Favre did not use that money on the facility.


Brett Favre (AP Photo/Rogelio V. Solis, File)

"Brett fulfilled his only obligation to USM. No funds he received from MCEC went towards the wellness center. Brett both solicited donations and often asked individuals or groups to send money to USM instead of paying him for services he provided," a spokesperson for Favre said in a statement last week.

While a complete and reliable breakdown of the funds used to construct the facility has not been made public, outside counsel for the athletic foundation recently confirmed in an email requested by Favre's wife Deanna Favre that the Favres "satisfied the obligations of their Donor Agreement by raising or paying the Foundation in excess of the pledged amount of at least $1,406,747.55 for the Volleyball Wellness Center."

"This includes cash donations given directly by Brett and Deanna Favre and other amounts contributed at the request of Brett and Deanna Favre," Ridgeland-based attorney Scott Jones wrote in the Mar. 23, 2023 email to Favre's attorneys.

University of Southern Mississippi has refused to answer several questions from Mississippi Today about the volleyball project, citing litigation.

University of Southern Mississippi's new volleyball facility, opened in December of 2019. Credit: Eric J. Shelton/Mississippi Today, Report For America

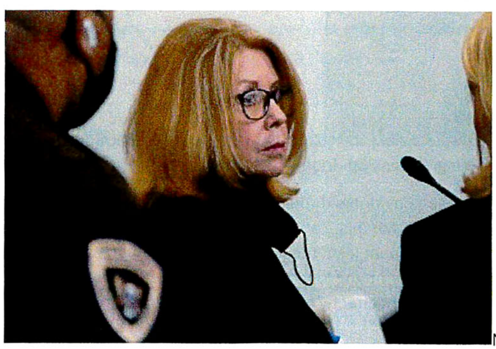
Favre began fundraising for the new volleyball stadium at USM, where his daughter played the sport, in 2017 – no one argues that. What's in dispute, and belabored in lengthy court motions back and forth, is whether Favre promised to come up with the funding for construction at the outset of the project.

Favre argues in his motion to dismiss the civil suit against him that the $5 million paid in 2017 couldn't have satisfied his $1.4 million guarantee in 2018 since the payment came before the pledge. MDHS alleges that Favre made a "handshake deal" near the inception in 2017, which is the only reason the university proceeded with the project, meaning he was on the hook for the funding the entire time.

Former NFL football player Brett Favre, welfare officials and University of Southern Mississippi staffers met in July of 2017 to discuss the welfare agency funding the construction of a multi-million dollar volleyball stadium on campus. Credit: Hinds County Circuit Court

By mid-2017, Favre had supposedly contributed $150,000 towards the volleyball project, according to an April 2017 email from Morrison to then-USM Athletic Director Jon Gilbert. After struggling to secure many more big donors, Gilbert involved nonprofit founder Nancy New, who had already entered at least one lease agreement with USM for the purpose of using grant money to make building renovations on campus – a purchase that has yet to be scrutinized.

“Brett and Deanna have agreed to help with fundraising for the facility,” Gilbert wrote in a July 16, 2017, email to New. “We currently have $1.2 million in hand from a variety of people that have committed to the project ... I will find out what Brett’s schedule is Tuesday and coordinate a time he can stop by that works for everyone.”



Nancy New, who with her son, Zachary, ran a private education company in Mississippi, pleaded guilty to state charges of misusing public money that was intended to help some of the poorest people in the nation, in Hinds County Circuit Court, Tuesday, April 26, 2022, in Jackson. (AP Photo/Rogelio V. Solis)

In the days and weeks following, Favre and New discussed by text the challenges in using federal grant funds for the volleyball stadium, since federal law prohibits spending of these dollars on brick-and-mortar construction projects. Favre suggested the nonprofit hire and pay him for marketing services – which are allowed under the federal rules – and that way he could pass the money to the athletic foundation.

"Will the public perception be that I became a spokesperson for various state funded shelters,schools,homes etc..... And was compensated with state money? Or can we keep this confidential," Favre texted New in a never-before-published text first introduced into court last month.

New responded that only she, her son Zach New and former Mississippi Department of Human Services director John Davis would have information about the payment – a product of the secrecy shrouding the welfare program.

"So if we keep confidential where money came from as well as amount I think this is gonna work," Favre wrote.


Zach New exits the Federal Courthouse after facing charges in 2021. Credit: Vickie D. King/Mississippi Today

The nonprofit eventually made two $2.5 million payments through a lease agreement with USM Athletic Foundation in November and December of 2017. For this, Zach New pleaded guilty to state charges of defrauding the government. To make the lease appear legit, the nonprofit said it would occupy classrooms inside the stadium, where it would conduct programming for underprivileged people. Later that December, the nonprofit also made the first $500,000 payment directly to Favre under an agreement that he would cut a radio ad for their anti-poverty program.

In the following months, Favre learned that the construction bids had come in much higher than expected, and that USM Athletic Foundation wouldn't be able to begin building the facility until they could guarantee more funding was coming.

In April of 2018, an email stated that Favre's original gift of $500,000 towards the volleyball stadium would be reduced to $250,000 after he instructed the university to transfer half to the construction of a beach volleyball arena. (His daughter had moved from the indoor team to the beach team).

In order for work to begin, Favre signed the $1.4 million donor agreement, ensuring that he'd raise or cover the rest of the cost, on May 2, 2018.

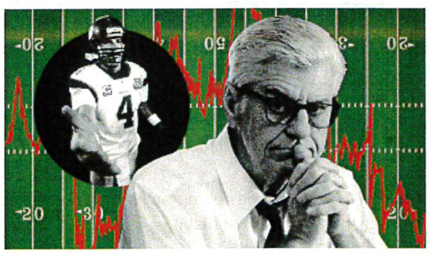
About a week later on May 10, New texted Favre, "I am making some progress on our money needs. What amount out of the whole loan that you signed would be most helpful right now? John and I may have a plan!!"

This text appears to show that Favre and New had planned for the nonprofit to contribute towards his guarantee.

On May 17, New texted Favre, "Good news. I have a little money for the 'project' – $500,000! Do you want me to send to the Athletic Dept. Or to your foundation."

New sent the payment in the following weeks to Favre's for-profit company Favre Enterprises, Inc., according to the State Auditor's Office.

The text suggests that they both understood the payment to Favre – paid under what was essentially a sponsorship agreement – was ultimately for the purpose of supporting construction at USM.



Before national news covered the welfare scandal, Mississippi Today exposed it first.

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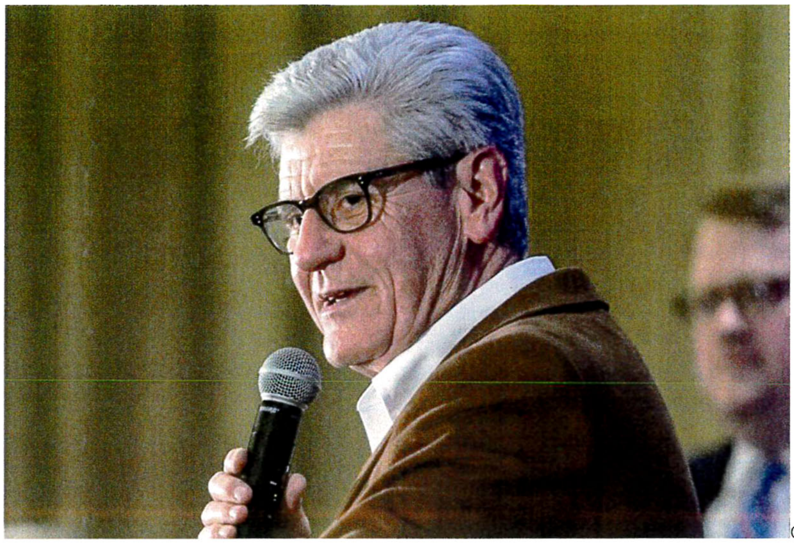
"While $1,100,000 was paid based on a contract for public appearances, and Favre did record a radio advertisement, the payment was intended, as requested by Bryant, to help Favre raise funds for construction of the Volleyball Facility," reads New's October filing in the civil case.


Gov. Phil Bryant speaks during Cindy Hyde-Smith's watch party at the Westin Jackson after Hyde-Smith won the U.S. Senate runoff on Nov. 27, 2018. Credit: File photo: Mississippi Today

Through his counsel, Bryant has denied the allegation to Mississippi Today. At the point this payment was made, Favre had not yet cut the radio ad.

"Favre knew that this was a sham designed to allow MDHS to cover Favre's commitment to fund construction of the volleyball facility," MDHS alleges in its amended complaint.

Despite their plans, Favre didn't use the money for the alleged purpose he received it, according to his spokesperson's statement.

Also in June of 2018, Favre secured donations for the facility from American Family Insurance Dreams Foundation Inc. and Bryant's PAC Imagine Mississippi Political Action Committee.

Bryant was still governor when Imagine Mississippi PAC donated $2,500 to the volleyball project in June of 2018. Bryant started the PAC by closing his campaign-finance account and transferring the bulk of the $1.05 million he had left over to the new organization in 2017 shortly after winning his second term. The PAC's stated goal is to support conservative candidates and officials. It spent about $220,000 in 2017, $216,000 in 2018, $307,000 in 2019 and $23,000 in 2020. It did not file an annual report for 2021 or 2022 or a notice of termination, according to what is available on the Secretary of State's Office website.

American Family Insurance Dreams Foundation Inc., which donated $100,000 towards the volleyball stadium, is a nonprofit focused on supporting programs in academic achievement, healthy youth development, economic opportunity, such as job training, and community resilience, including food, housing and daycare.

A spokesperson for the foundation told Mississippi Today that Favre played in its golf tournament for several years, drawing large crowds and helping fundraising efforts for its nonprofit partners. "For his participation, we made charitable contributions to a few select organizations of his choice, including the University of Southern Mississippi. Supporting colleges and universities, including programming that impacts students, aligns to the mission of the American Family Insurance Dreams Foundation."

The spokesperson did not respond to follow up questions about what programming the foundation thought its gift was supporting.

In July of 2018, Singing For Change Charitable Foundation — a charity founded by Pascagoula-native and USM alum Jimmy Buffett with the slogan, "Turning good vibes into good deeds" — gave $33,378 for the facility. Its website says it gives grants to small, grassroots nonprofits across the country that help people "get back on their feet, back into homes, back to work, find meaningful jobs, become better educated, and thrive according to their definition." One dollar for every concert ticket Buffett sells on tour goes towards his foundation.

"Our contribution on behalf of student wellness at USM was made in good faith to the University's foundation," a spokesperson for SFC Charitable Foundation said in a statement to Mississippi Today. "... When any nonprofit goes astray and mismanages funds, it's a sad day for those of us in the sector but especially distressing and financially stressful for local organizations handling the fallout. As Jimmy's tour resumes this spring, we will to continue to support people living on the margins across the U.S."

An anonymous donor also contributed $150,000 towards the volleyball stadium that month, according to the Morrison email, and Favre himself donated $50,000 the next month.

Despite personally receiving $1.1 million from the nonprofit, Favre continued in the following months and years to lobby welfare officials, other government officials and current Gov. Tate Reeves in an attempt to secure more public funds to satisfy his obligation.

But this never happened: "Zero public funds went towards satisfying this voluntary pledge," the spokesperson for Favre confirmed for the first time to Mississippi Today recently.

It's unclear how Favre may have used the $1.1 million he received from MCEC, which he has since repaid to the state. When he spoke to his associates about his debt in the project, the number varied from $1.1 million or $1.2 million in March of 2019 to $1.8 million in September of 2019.

By July of 2019, Davis had been ousted for suspected fraud and Favre was becoming worried.

"Nancy has been awesome to me and has paid 4.5 million for a 7 million dollar facility. And she said it was all gonna be taken care of until this morning," Favre wrote to his business associate, Jake Vanlandingham, founder of a pharmaceutical startup company called Prevacus, on July 16, 2019. This text was first published by Mississippi Today in its investigative series "The Backchannel."

Jake Vanlandingham, a Florida neuroscientist and founder of a biomedical startup called Prevacus, testified on June 25, 2014 before the Senate Special Committee on Aging about the effects of traumatic brain injury and his ongoing research. Credit: C-SPAN

(MDHS also alleges that Favre participated in the funneling of $1.7 million in welfare money to Prevacus, to which New has pleaded guilty criminally, and that Favre is liable. In response, Favre's attorneys argue, "All Favre is alleged to have done with respect to Prevacus is to have introduced VanLandingham to New ... This is insufficient to state a claim that Favre agreed to join a conspiracy ... if this conduct was sufficient to join a conspiracy, then MDHS could also add as co-conspirators Southern Miss Athletic Director Jon Gilbert for his role in introducing New to Favre and attending the meeting.")

"Suddenly she said I don't think I can do anymore," Favre wrote to Vanlandingham, referring to New, according to "The Backchannel" texts. "So now I am looking at a big pay out."

The same month, Steel Dynamics Foundation donated $25,000 towards Favre's volleyball pledge. Steel Dynamics Foundation is the foundation associated with Steel Dynamics Inc., a Fort Wayne, Indiana-based company that has manufacturing sites in Mississippi and recently received $247 million in tax incentives from the state. The foundation's website says its goal is to improve the quality of life and local economies in the communities where its employees work.

By September of 2019, Favre's debt had apparently grown. "I have more shit going on not to mention a very likely 1.8 million note coming due that I thought was covered," Favre texted Vanlandingham.

That month, Favre secured a meeting with Bryant and the new welfare director, Christopher Freeze, who replaced Davis. They discussed pushing additional grant funds to the volleyball project. After the meeting, Bryant encouraged Favre by text that "We are going to get there. ... But we have to follow the law."

Freeze told Mississippi Today he rejected the proposal and there's been no evidence that any additional welfare money went to the project after this point.

The next month, Aaron Rodgers – the quarterback who replaced Favre at the Green Bay Packers, prompting a memorable feud in sports pop culture history – donated $10,000 to the facility, according to the Morrison email. Favre had also talked to Vanlandingham in 2019 about asking for Rodgers' support with the pharmaceutical venture. Rodgers' agent did not return emails or a call from Mississippi Today.

By early 2020, Favre was desperately trying to come up with the rest of the funding. According to the Morrison email, he then secured $500 from Howard Deneroff, executive producer of Westwood One Sports, an NFL broadcaster. Favre had asked Deneroff to donate in exchange for a sit-down interview on the network. Favre also collected $22,000 from the Jimmy A. Payne Foundation, the foundation of a USM alum and businessman, and $350,000 from Matt Helms, owner of a sports memorabilia store in south Mississippi.

But it wasn't enough. Favre even attempted to involve the Mississippi Community College Board, incoming Gov. Tate Reeves and the Legislature.

Bryant texted then-USM President Rodney Bennett about Favre's insistence.

"The bottom line is he personally guaranteed the project, and on his word and handshake we proceeded," Bennett texted Bryant on Jan. 27, 2020, shortly after the outgoing governor left office. "It's time for him to pay up – it really is just that simple."

MDHS uses this text to substantiate its allegation that Favre committed the funds before the welfare payment, since the athletic foundation proceeded with the project by hiring architects to start drafting renderings of the building in July of 2017.

All of this together, MDHS alleges, "support the reasonable inference that Favre personally committed to guarantee the volleyball facility's construction at the outset of the project."

Favre's attorneys push back: "MDHS takes this text message completely out of context—it clearly related to efforts by Favre to raise funds to meet his 2018 written commitment," Favre's recent reply states. "MDHS takes a giant and unsupported leap of faith in claiming that the text message related to some different, earlier commitment."

On the day of the initial arrests in February of 2020, Morrison, the associate athletic director, sent Favre the email describing "the following gifts that have been applied towards your commitment to the Volleyball Facility."

Asked about the timing of the email, the Favre spokesperson said, "it is purely coincidental."

The indictment, which was made public that day, had named Prevacus and its affiliate PreSolMD, alleging that the News had embezzled welfare funds from their nonprofit to invest in the companies.

About a week later, Vanlandingham texted Favre, saying he wasn't sure if one of their potential investors was going to follow through with his contribution "given this MS embezzlement shit."

Vanlandingham asked the athlete to make another $50,000 donation so PreSolMD could begin developing what it called a "pregame cream" that it promised could prevent concussions.

"...I would but up to my eyeballs in vball debt," Favre responded.

EQUITY

One day after welfare officials exposed for fraud, lawmakers take aim at recipients

by **Anna Wolfe**
February 7, 2020

Less than 24 hours after officials revealed a state agency leader allegedly allowed subcontractors to steal millions intended for poor Mississippians, lawmakers advanced legislation to heighten scrutiny of public assistance applicants.

Sen. Josh Harkins, R-Flowood

The bill, authored by Sen. Josh Harkins, R-Flowood, would give the State Auditor's office new authority to examine income tax returns to determine eligibility for public assistance programs such as Medicaid, Temporary Assistance for Needy Families or Supplemental Nutrition Assistance Program.

The Senate Finance Committee **passed the bill** Thursday at the request of state Auditor Shad White, whose office **investigated the case and arrested six people** on embezzlement and fraud charges. The bill was originally filed in January.

"This is not about compliance. This is about terror. We're going to use this law and we're to terrorize a bunch of folks," Sen. John Horhn, D-Jackson, said during the Thursday committee

Privacy - Te


Sen. John Horhn, D-Hinds

meeting. "What the history of our Medicaid compliance tells us is that it ain't the recipients. It's not the recipients, it's providers. And in recent cases, it's employees of the state of Mississippi."

Earlier in the week, agents from the auditor's office arrested former Human Services director John Davis and prominent education contractor Nancy New as part of **the largest public embezzlement case** in state history. Those involved allegedly stole more than $4.15 million from the federal TANF program.

When it comes to accountability in public assistance programs, state lawmakers have long focused on recipients. In recent years, this has included imposing drug testing and work requirements, as well as purchasing a new computer system to track and verify applicant information.

White, appointed by former Gov. Phil Bryant in 2018 and elected in 2019, promises a consistent approach to rooting out fraud "no matter where it is," he told Mississippi Today Friday.

White requested the legislation to comply with a **new federal requirement** that his office redetermine the eligibility of able-bodied Medicaid recipients — a small portion of the program — within its annual audit.

To do this, White said he and other state auditors have determined they must gain "access to state income tax returns to make sure people are telling the truth when they tell Medicaid how much money they make."

The audit would focus on about 60,700 able-bodied adult caretakers, who make up less than ten percent of a Medicaid program that serves mostly children. White said his office would examine a sample of those cases to determine if the program is serving people who do not qualify at any magnitude.

Harkins told Mississippi Today his intention is that only a select group from the auditor's office would have the capability to pull the returns during a limited time period.

"If there's one part of our budget that seems to expand every year, and eats away at all parts of our pocketbooks, it's the Medicaid budget," Sen. Chris McDaniel, R-Ellisville, said during the meeting, adding that the state must "make sure the people who are receiving it are those who deserve it and should be receiving it. And those that are not, well they shouldn't be getting it."

State Sen. Chris McDaniel, R-Ellisville

In 2018, White's office conducted an audit of the Medicaid managed care companies and found improper payments totaling **approximately $615,000, a very small fraction of the billions spent** on the program.

Matt Westerfield, a spokesman for Medicaid, said the agency welcomes support from the state auditor to verify that people receiving Medicaid meet all eligibility criteria "to ensure resources remain available for those who qualify."

Neighboring Louisiana senators rejected a similar proposal in 2019, **Shreveport Times reported.**

White also wants authority to examine income tax returns for recipients of other programs — such as TANF, the federal program at the center of the massive fraud scheme he uncovered — in the event the federal government requires that kind of audit in the future.

In July, his office **released an annual audit** outlining major issues with the human services department's monitoring of millions in federal public assistance dollars, including a failure to maintain a full list of subgrantees.

"You can't monitor who you don't know you gave money to," Stephanie Palmertree, financial and compliance audit director for the state auditor's office, said at the time.

The state already has the laws it needs to prevent government officials from defrauding federal programs, White said. "We need to make sure people are complying with the laws."

White said Senate leaders expressed interest in conducting a forensic audit of TANF spending, which would essentially trace the flow of every program dollar to subgrantees. The process would be intensive and White believes he would need to hire a private firm to conduct the work.

Gov. Phil Bryant announced on Friday he would appoint Shad White as the state's next state auditor.

"That might be the only way to get to how all the money was spent and all the problems that were associated with it," White said. "It will be expensive if we want to get it done in a timely way, but at this point, the expense is probably worth it."

In 2018, the state established the Office of the Inspector General to identify fraud at the human services department. In the last year, the office identified 27 intentional TANF violations totaling $14,224, about one-hundredth of one percent of the program.

The auditor has not released a dollar amount of the embezzlement scheme as the investigation continues, but he said his office has identified at least $4.15 million stolen. If that money had been used for direct cash assistance to poor families, it could have funded more than 24,000 payments — a maximum of $170 a month for a family of three — serving over 2,000 families for the year.

For a family to qualify for TANF cash assistance, there must be a child living in the home and an adult must meet work requirements while also earning less than $680 a month for a family of three.

Other services offered by TANF, such as through New's nonprofit Mississippi Community Education Center, which ran Families First for Mississippi, did not require a person to prove their eligibility.

Kayleigh Skinner contributed to this report.

MISSISSIPPI TODAY

THE BACKCHANNEL

Former Gov. Phil Bryant helped Brett Favre secure welfare funding for USM volleyball stadium, texts reveal

Never-before-seen text messages show former Gov. Phil Bryant tried to shepherd a proposal to use welfare funds on the construction of a new volleyball stadium for retired NFL player Brett Favre – a project prosecutors have called a scheme to defraud the government. Bryant has previously denied any involvement with the project, which has emerged as the centerpiece of a massive criminal scandal in which prominent officials misspent or stole millions in welfare funds intended for the nation's poorest residents.

by **Anna Wolfe**
September 13, 2022

Gov. Phil Bryant ponders a response to a question regarding his legacy following a life of public service, while sitting in his Jackson, Miss., Capitol office, Jan. 8, 2020. (AP Photo/Rogelio V. Solis)

Text messages entered Monday into the state's ongoing civil lawsuit over the welfare scandal reveal that former Gov. Phil Bryant pushed to make NFL legend Brett Favre's volleyball idea a reality.

The texts show that the then-governor even guided Favre on how to write a funding proposal so that it could be accepted by the Mississippi Department of Human Services – even after Bryant ousted the former welfare agency director John Davis for suspected fraud.

"Just left Brett Favre," Bryant **texted** nonprofit founder Nancy New in July of 2019, within weeks of Davis' departure. "Can we help him with his project. We should meet soon to see how I can make sure we keep your projects on course."

When Favre asked Bryant how the new agency director might affect their plans to fund the volleyball stadium, Bryant **assured him**, "I will handle that… long story but had to make a change. But I will call Nancy and see what it will take," according to the filing and a text Favre forwarded to New.

The newly released texts, filed Monday by an attorney representing Nancy New's nonprofit, show that Bryant, Favre, New, Davis and others worked together to channel at least $5 million of the state's welfare funds to build a new volleyball stadium at University of Southern Mississippi, where Favre's daughter played the sport. Favre received most of the credit for raising funds to construct the facility.

Bryant has for years denied any close involvement in the steering of welfare funds to the volleyball stadium, though plans for the project even included naming the building after him, **one text shows**.

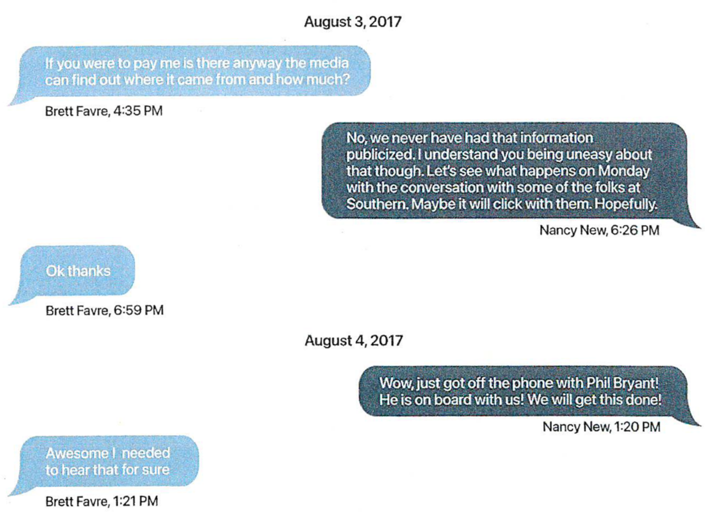
New, a friend of Bryant's wife Deborah, ran a nonprofit that was in charge of spending tens of millions of flexible federal welfare dollars outside of public view. What followed was the biggest public fraud case in state history, according to the state auditor's office. Nonprofit leaders had misspent at least $77 million in funds that were supposed to help the needy, forensic auditors found.

New pleaded guilty to 13 felony counts related to the scheme, and Davis awaits trial. But neither Bryant nor Favre have been charged with any crime.

And while the state-of-the-art facility represents the single largest known fraudulent purchase within the scheme, according to one of the criminal defendant's plea agreement, the state is not pursuing the matter in its ongoing civil complaint. Current Gov. Tate Reeves abruptly fired the attorney bringing the state's case when he tried to subpoena documents related to the volleyball stadium.

The messages also show that a separate $1.1 million welfare contract Favre received to promote the program – the subject of many national headlines – was simply a way to get more funding to the volleyball project.

"I could record a few radio spots," Favre texted New, according to the new filing. "…and whatever compensation could go to USM."



New, who is now aiding prosecutors as part of her plea deal, alleged that Bryant directed her to make the payment to Favre in a bombshell response to the complaint in July.

The allegation and defense “are not based on speculation or conjecture,” the Monday court filing reads. “The evidence suggests that MDHS Executives, including Governor Bryant, knew that Favre was seeking funds from MDHS to build the Volleyball Facility … and participated in directing, approving, or providing Favre MDHS funds to be used for construction of the Volleyball Facility.”

The latest motion, filed on behalf of New’s nonprofit Mississippi Community Education Center, represents the first time these messages, which include texts directly between New and Bryant and New and Favre, have been made public. The messages are printed here exactly as they appear in the filing without corrections.

In July, the attorney for New and the nonprofit, Gerry Bufkin, **filed a subpoena on Bryant** asking for the former governor’s communication related to the volleyball project.

On Aug. 26, Bryant’s recently-hired attorney Billy Quin wrote a letter **objecting to the subpoena**, refusing to turn over the records without a protective order. Quin argued that Bryant’s texts are protected by executive privilege and that producing them to the public would run afoul of existing gag orders in the criminal cases.

Bufkin’s latest motion includes texts that the attorney picked, not entire text threads, and may only reflect one side of the story. In a short statement to Mississippi Today for this story, Bryant didn’t offer an explanation for his communication.

“(The New defense team’s) refusal to agree to a protective order, along with their failure to convey the Governor’s position to the court, unfortunately shows they are more concerned with pretrial publicity than they are with civil justice,” Bryant said.

Bufkin's motion asks for the court to compel Bryant to produce the documents, arguing they are central to New's defense.

"Defendant reasonably relied on then-Governor Phil Bryant, acting within his broad statutory authority as chief executive of the State," reads New's July response to the complaint, "including authority over MDHS and TANF, and his extensive knowledge of Permissible TANF Expenditures from 12 years as State Auditor, four years as Lieutenant Governor, and a number of years as Governor leading up to and including the relevant time period."

Bufkin told Mississippi Today that the governor's involvement in building the volleyball stadium, suggested by the text messages, "lends an air of credibility to the project, which is important to our defenses."

"We do not believe a protective order shielding the Governor's documents from public view, and thus limiting our ability to use them in open court or public pleadings in support of our defenses, is appropriate," Bufkin said.

Federal regulations prohibit states from using money from the welfare program, called Temporary Assistance for Needy Families (TANF), on "brick and mortar," or the construction of buildings.

The scheme to circumvent federal regulations in order to build the volleyball stadium has already resulted in a criminal conviction.

New's son Zach New **admitted in his April plea agreement to** defrauding the government when he participated in a scheme "to disguise the USM construction project as a 'lease' as a means of circumventing the limited purpose grant's strict prohibition against 'brick and mortar' construction projects in violation of Miss. Code Ann. 97-7-10."

Favre's attorney Bud Holmes denied that the athlete knew the money he received was from the welfare fund. "Brett Favre has been honorable throughout this whole thing," Holmes said Monday.

When Mississippi Today asked Favre by text in 2020 if he had discussed the volleyball project with the governor, Favre said, simply: "No."

Former NFL football player Brett Favre, welfare officials and University of Southern Mississippi staffers met in July of 2017 to discuss the welfare agency funding the construction of a multi-million dollar volleyball stadium on campus. From left to right, attendees of the gathering were former professional wrestler Ted "Teddy" DiBiase, MDHS deputy Garrig Sheilds, then-USM Director of Athletics Jon Gilbert, Mississippi Community Education Center founder Nancy New, then-MDHS Director John Davis, Favre, another university athletics staffer Daniel Feig and Zach New. Credit: Hinds County Circuit Court

The motion filed Monday offers a detailed look at the earliest days of the planning of the USM volleyball center between Favre, New, Davis and other key players — a chronology that had not up to this point been publicly revealed.

Favre first asked for funding from Mississippi Department of Human Services during a July 24, 2017, meeting at USM with New, Davis, university athletic staff and others, according to the motion.

By this time, the University of Southern Mississippi and the Southern Miss Athletic Foundation, which would pay for the construction, had already made some progress on Favre's idea. On July 1, **according to records**, the university leased its athletic facilities and fields to the foundation for $1, which made it possible for the foundation to lease the facilities to the New nonprofit for $5 million.

Because of the strict prohibition on using TANF funds to pay for construction, the parties had to craft an agreement that would look to satisfy federal law and give the illusion they were helping needy families. With the help of legal advice from MDHS attorneys, they came up with the idea for New's nonprofit to enter a $5 million up-front lease of the university's athletic facilities, which the nonprofit would purportedly use for programming. And in exchange, the foundation would include offices for the nonprofit inside the volleyball facility, which they called a "Wellness Center."

Davis immediately committed $4 million to the project, according to the motion.

"While Favre was pleased with MDHS's $4 million commitment, he knew a state-of-the-art Volleyball Facility was likely to cost more," the filing reads. "To make matters worse, USM apparently had a policy that any construction project on campus had to be funded fully, and the money deposited in USM's account, before construction could begin."

Favre thought of a way to get some extra cash to the program: even more money could flow through his company in exchange for the athlete cutting ads for the state's welfare program. New said she thought it was a good idea.

"Was just thinking that here is the way to do it!!" Favre texted.

Only days after Favre received the financial commitment from Davis, he "had grown impatient with USM, which was moving slowly. Favre contacted Governor Bryant to speed things along. In response, Governor Bryant called Nancy New," the motion reads.

"Wow," New texted Favre, "just got off the phone with Phil Bryant! He is on board with us! We will get this done!"

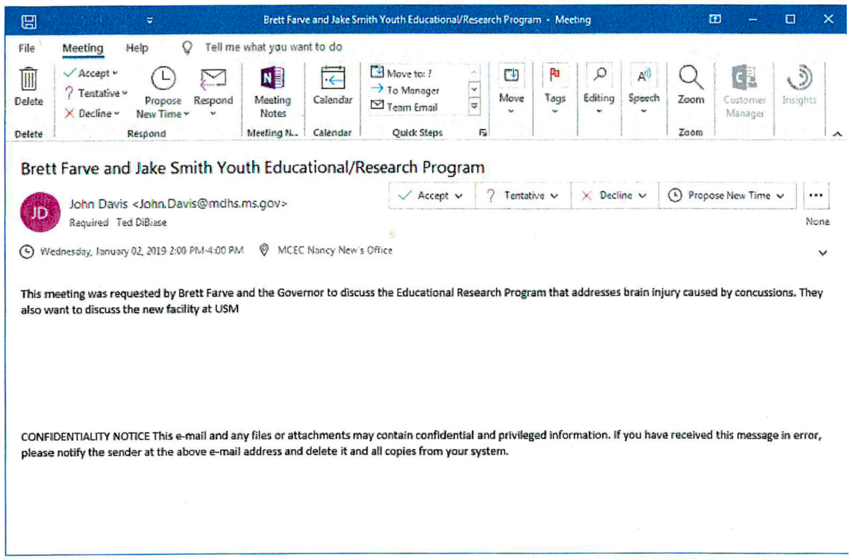
The governor remained in tune on the project as it progressed. On Nov. 2, 2017, New texted Favre, "I saw the Gov last night … it's all going to work out."

Four days later, New's nonprofit paid the first lump sum of $2.5 million. It paid another $2.5 million on Dec. 5, 2017, according to the state auditor's office report released in 2020. Favre also received his first payment under the advertising agreement of $500,000 in December 2017.

"Nancy Santa came today and dropped some money off," Favre texted New that day, "thank you my goodness thank you. We need to setup the promo for you soon. Your way to kind."

The nonprofit paid the athlete another $600,000 in June 2018.

By 2019, as the cost of construction for the volleyball center grew and Favre had committed to pay more than $1 million himself that he expected to receive from MDHS, the athlete became antsy. According to a **calendar entry entered by Davis**, Bryant and Favre requested to meet with welfare officials about the USM facility in January of 2019.



Brett Farve and Jake Smith Youth Educational/Research Program - Meeting

Brett Farve and Jake Smith Youth Educational/Research Program

John Davis <John.Davis@mdhs.ms.gov>
Required Ted DiBiase

Wednesday, January 02, 2019 2:00 PM-4:00 PM MCEC Nancy New's Office

This meeting was requested by Brett Farve and the Governor to discuss the Educational Research Program that addresses brain injury caused by concussions. They also want to discuss the new facility at USM

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An emailed calendar invite obtained by Mississippi Today shows Mississippi Department of Human Services Director John Davis invited his colleague, former wrestler Ted DiBiase, to meet at Nancy New's office to discuss topics of interest to Brett Favre and the governor.

Favre nudged the welfare officials who promised to help, but the state agency and nonprofits **were in financial turmoil**. Months went by with no USM payments.

In June of 2019, Bryant ousted Davis after an MDHS employee came forward with a tip about suspected fraud. Bryant replaced Davis with former FBI Special Agent in Charge Christopher Freeze.

When Favre asked Bryant if Davis' departure would affect the project, according to the motion, the governor responded, "I will handle that… long story but had to make a change. But I will call Nancy and see what it will take."

"Just left Brett Favre," Bryant then texted New. "Can we help him with his project. We should meet soon to see how I can make sure we keep your projects on course."

Later that day, New texted Favre to tell him that she would be meeting with the governor in two days.

"He wants me to continue to help you and us get our project done," she said.

With the new guard in place at the top of the welfare agency, Favre and New tried to put together a proposal for more volleyball funding that would pass the smell test. Part of their plan was to put Bryant's name on the building, according to one text from New to Favre. Favre relayed to New that Bryant said New would have to submit proper paperwork to MDHS.

"While the Governor's text to Favre said New needed to 'get the paperwork in,' the Governor confided to Favre on a call that he had already seen Favre's proposal. Favre texted New, '[the Governor] said to me just a second ago that he has seen [the funding proposal] but hint hint that you need to reword it to get it accepted," reads New's motion.

New had questions about how to reword the proposal, but instead of having a conversation directly with the governor, she relied on what the governor would tell Favre, the texts show.

"Hopefully she can put more details in the proposal," Bryant said, according to a text Favre forwarded to New. "Like how many times the facility will be used and how many child will be served and for what specific purpose."

Favre later texted, "I really feel like he is trying to figure out a way to get it done without actually saying it."

Favre, New, Bryant and Freeze met in September 2019 to discuss progress on the new facility.

Though the texts illustrate the governor's support for the program around that time, Bryant said in an April 2022 interview with Mississippi Today that he rejected the request from New and

Favre fund the project further.

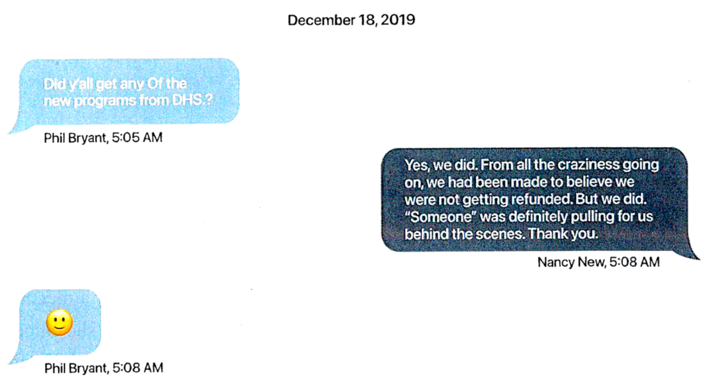
"I stood up and I said, 'No,'" Bryant told Mississippi Today. "… I remember a meeting with Nancy New and Chris (Freeze), and maybe it was another one, and me. And she came in one more time, 'Volleyball, volleyball.' And she said, 'My budgets have been cut and I can't do all of these things … And that's another thing: 'Budgets are cut,' so I'm thinking somebody's watching over spending. And then she said, 'And oh, by the way, can we have the money for the volleyball?' And I said, 'No. No, we're not spending anything right now. That is terminated.'"

Two days after the meeting, New received a letter from the welfare agency informing her that the agency was increasing her TANF subgrant by $1.1 million, which the letter said was for the purpose of reimbursing payments the nonprofit made to its partners.

Under Freeze, MDHS reinstated its bid process for TANF subgrants. Though New's nonprofit was under investigation, and had been raided by the auditor's office months earlier, the welfare agency notified New in December of 2019 that she had won another grant for the coming year. That month, Bryant texted New to ask if she had received the award.

"Yes, we did," New **responded** to the former governor. "From all the craziness going on, we had been made to believe we were not getting refunded. But we did. 'Someone' was definitely pulling for us behind the scenes. Thank you."

Bryant responded with a smiley face.



In early 2020, as funding to the nonprofits slowed and Bryant entered the waning days in his final term as governor, Favre and state officials scrambled to come up with the funds to finish the USM volleyball project. Communication obtained by Mississippi Today shows that another state agency that had been receiving grants from the welfare department joined talks of funding the remainder of the construction.

New sent Favre's funding request to Andrea Mayfield, then-director of the Mississippi Community College Board.

"I am at a loss right now," New wrote, "and am honestly trying to save coworkers' jobs, too. Are we closer on a lease, etc. for him. Sorry to have to ask this as I know everybody is doing everything they can. Thank y'all."

Mayfield proposed having the USM athletic foundation front the $556,000 that the builders needed, and then be reimbursed by various state agencies through monthly rent payments.

"I can work each agency to execute a contract. Once they execute a contract with me, I can quickly execute with MCEC. I am sorry it is taking time. I am at the mercy of each partners schedule. Thoughts?" Mayfield texted USM Athletic Director Jeremy McClain, according to the message she forwarded to New and Favre.

"Let me know," Favre responded, "and we have a few weeks until it's finished. If need be Deanna and I will just pay it. If the university will at least Agree on a deal maybe we can get some funding fairly quickly."

It's unclear if any more federal grants went to Favre or the athletic foundation after this point.

Bufkin isn't the only person who has subpoenaed the former governor's communication related to the volleyball project. Attorney Brad Pigott, who originally represented the state's welfare department in the civil suit, also subpoenaed the athletic foundation for its communication with Bryant or his wife Deborah Bryant – and was fired from the case as a result.

Pigott previously called the $5 million agreement between the New nonprofit and the athletic foundation "a sham, fraudulent, so-called lease agreement" in which the parties pretended that the purpose of the deal was for the nonprofit to provide services at the facilities, "all of which was a lie," Pigott said.

Pigott said he believed his firing was political. Reeves and his current welfare agency director have **waffled on their reason for terminating Pigott**.

The state's civil case, which seeks to recoup $24 million from 38 people or organizations, appears to have slowed **since Pigott's firing**. The athletic foundation is not named as defendant and the volleyball stadium is not discussed once in the complaint. The state canceled and has not rescheduled several depositions that were supposed to take place this month — including one with Favre.

"People are going to go to jail over this, at least the state should be willing to find out the truth of what happened," Pigott told Mississippi Today after his firing in July.

It's unclear how the athletic foundation has responded, if at all, to either Bufkin or the state's subpoena, as no related filings appear in the case file. Letters objecting to subpoenas, such as Bryant's, are not entered into court. If a subpoenaed entity produces documents as requested, those documents could also go directly to the requesting parties and would not appear in the public court file.

The FBI is still investigating the welfare scandal, but officials haven't publicly indicated which figures they might be pursuing. President Joe Biden recently nominated Todd Gee to serve as U.S. attorney for the Southern District of Mississippi, a position that has been vacant for nearly two years. Gee, a Vicksburg native, will inherit the welfare investigation in his new job after serving as the deputy chief of the Public Integrity Section of the U.S. Department of Justice since 2018.

Gee previously served as lead counsel for the House Homeland Security Committee under chair U.S. Rep. Bennie Thompson, who in July wrote a letter to U.S. Attorney General Merrick Garland asking the U.S. Department of Justice to investigate Bryant's role in the welfare scheme.

Shad White, the state auditor who originally investigated the case, was appointed by and formerly served as a campaign manager for Bryant. Shortly after his office arrested New, Davis and four others for their alleged roles in the scheme, White publicly called Bryant the whistleblower in the case.

Asked on Monday how he would characterize Bryant's role in the scandal now, White said, "I wouldn't because we don't know everything that's going to come out ultimately."

"I would just let the public decide how they interpret his actions over the course of that entire thing," White said. "You know, really, if you think back about the corpus of events here that happened, a lot of it has been put out in the news. And so I think anybody who's reading the newspaper can look at that and say, 'OK, people at DHS did this right, and they did this wrong. People in the governor's office did this right, and they did that wrong.' And they can decide."

"That's not for me to decide what somebody's legacy is," White added.

Chairman SMITH. Mr. Wenstrup.

Mr. WENSTRUP. Thank you, Mr. Chairman.

You know, poverty is said to exist when people lack the means to satisfy their own basic needs. That is the circumstance of every child ever born. So, in reality, no one is really out of poverty until they can function independently to satisfy their own basic needs. And no child can truly be lifted out of poverty, but families can.

Mr. Underhile is an example of that, and I thank you for the words that you shared with Mr. LaHood. It was spot on.

If you are permanently depending on assistance, you are technically not out of poverty. That is what you were saying. And that is an important point for everyone here in Congress to understand when they say we lifted someone out of poverty. No, you did not. Work can lift you out of poverty.

We can feed you, educate you, train you, and get you on a path to independence and freedom and truly out of poverty so that you can feed yourself, house yourself, and teach others, which is what you are doing, Mr. Underhile, and you are a great example. You not only teach others, but you teach your children.

We have in our district some federally qualified health centers which treats the poorest of the poor, and God bless them for doing it. What we have seen is some of them have associated themselves with food banks so that when you do go to the doctor and try and stay healthy, you can leave with some food, food that is good for you.

I also suggested that, at our food banks, we post job opportunities because that is really the outcome we are after. That is what success should look like, not just saying we sent people money. That is short term. That is short term. And, too often, the benefits we do offer have cliffs that, when you start to make it, you are worse off. That is a problem.

But outcomes matter. And, you know, I am proud to lead the Reduced Duplication and Improve Access to Work Act with my colleague, Representative Smucker, because this legislation would address the silos we see in Federal programs by allowing states the flexibility to braid TANF and WIOA funds being together, WIOA being the Workforce Innovation Opportunity Act. That is the final step in the process of truly lifting people out of poverty.

I know we have touched on it today. I believe we have touched on allowing states to transfer some TANF funding to WIOA, braid these funding streams together, which can improve these programs and actually give you the outcome that we want to see for all people.

In my home state of Ohio, we have had our own examples of a TANF billing fraud scheme, unfortunately. In fact, according to the GAO submission for the record for this hearing, employees of a TANF subrecipient in Ohio submitted inflated payroll expenses and misspent funds on real estate, resort vacations, and cosmetic surgery.

Mr. Chairman, with no objection, I would like to submit an article detailing this story for the record.

Chairman SMITH. Without objection.

[The information follows:]

PRESS RELEASE

Four people sentenced to prison for taking job training money from Toledo-based nonprofit and using it to fund lavish lifestyles

Tuesday, May 29, 2018

For Immediate Release

U.S. Attorney's Office, Northern District of Ohio

Four people were sentenced to prison for taking federal money earmarked for job training and instead using the money to pay for personal expenses, including vacations, investments, real estate purchases and salaries for people who did not work at the company.

James D. Moody, 58, of Toledo, was sentenced today to 66 months in prison. Victoria Hawkins, 31, of Grand Rapids, Michigan, was sentenced last week to 54 months in prison. Angela Bowser, 46, of Toledo, was sentenced last week to 36 months in prison.

All three were convicted by a jury late last year for their activities related to Toledo-based Business Rehabilitation Informed Decisions Guiding Employment Strategies, Inc. d/b/a B.R.I.D.G.E.S., Inc..

Company founder and general manager Daniel E. Morris, 68, of Maumee, previously pleaded guilty to his crimes and was sentenced to 46 months in prison.

"These defendants stole millions of dollars targeted to help the least among us learn job skills, and instead used the money to fund lavish lifestyles and pay for no-show jobs," said U.S. Attorney Justin E. Herdman said. "They ripped off taxpayers and betrayed the trust placed in them."

"This was a transparent scheme to defraud the taxpayers of Northwest Ohio," said IRS Special Agent in Charge Ryan Korner. "Today's guilty verdicts brings justice to thieves who enriched themselves on the backs of those struggling to survive."

According to court documents and trial testimony:

BRIDGES operated at 242 Reynolds Road and 310 Reynolds Road. The company was in the business of providing work placement and work training services to public assistance recipients, and nearly all of its revenue came from public funds.

Morris was the co-founder and general manager of BRIDGES. Moody was co-founder and sole-shareholder. Hawkins was an employee from 2008 through 2012, while Bowser was an employee from 2008 through 2014.

BRIDGES was funded through the Temporary Assistance for Needy Families (TANF) program. TANF was a welfare program that provided cash assistance to qualifying households with minor children or pregnant women. TANF provided federal block grants to states each year to cover benefits, administrative expenses and services targeted to needy families.

One of TANF's goals was reducing the dependency of needy parents by promoting job preparation, work and marriage. TANF recipients must work as soon as they are job ready and no later than two years after commencing assistance. BRIDGES placed public assistance recipients at "job sites," where the recipients would work for free to obtain job training and as a condition of receiving public assistance benefits like cash assistance or SNAP benefits (formerly food stamps).

BRIDGES received more than $15.7 million in funding from several entities between 2004 and 2015, including the Ohio Department of Job and Family Services, the Lucas County Department of Job and Family Services, Ohio Works First and others. This funding was based in part on BRIDGES' grant proposals. The majority of BRIDGES' stated administrative costs were payroll and transportation.

BRIDGES provided job training and work placement services but at substantially lower costs than those stated in its budgets and invoices. The defendants fraudulently inflated BRIDGES payroll costs, transportation and mileage.

Morris, BRIDGES and others maintained false personnel files, timesheets, mileage records and reimbursement forms for nonexistent employees. They included fake, former or nonexistent employees on the payroll. For example, BRIDGES paid Moody a salary even though he did not work there, and later continued to pay him by issuing payroll checks to Moody's wife.

During trial, Moody testified that he placed the salary in his wife's name in order to distance himself from BRIDGES while running for mayor in 2009 and so that she could receive Social Security benefits despite not otherwise being eligible. Moody also received non-payroll checks, which he used to purchase and rehabilitate an investment property in Toledo, purchase an interest in his real estate company, Flex Realty, and pay for legal fees.

BRIDGES, Morris, Moody, Hawkins and Bowser used TANF funds to pay for personal living expenses including groceries, dental care, medical care, resort vacations, pharmaceuticals, clothing, toys, designer bags, furniture, video streaming services, credit card bills, legal fees unrelated to BRIDGES' business, tattoos, cosmetic surgery, real estate, vehicles, investments and jewelry, according to court documents and trial testimony.

For example, between February 2013 and October 2014, Hawkins accessed a BRIDGES business account to make approximately $18,200 in cash withdrawals. Hawkins also had access to a debit card through which she accessed and spent approximately $750,000 in a two-year timeframe. Hawkins and co-defendant Morris also purchased two houses, including a $400,000 house in the Point Place neighborhood of Toledo.

Bowser, a program manager at BRIDGES, received numerous non-payroll checks from the company, some of which were used to purchase a house in Toledo. Bowser continued to receive bi-weekly payments from the company after she stopped working there in 2014.

Each defendant that went to trial was convicted of conspiracy to commit federal program theft, conspiracy to commit money laundering offenses, substantive federal program theft counts, and substantive money laundering counts.

Morris pleaded guilty to conspiracy to commit federal program theft and mail fraud, aggravated identity theft, conspiracy to commit money laundering, and willful failure to pay over withheld payroll tax.

The case is being prosecuted by Assistant U.S. Attorneys Noah P. Hood and Gene Crawford following an investigation by the Internal Revenue Service-Criminal Investigations with the assistance of the Ohio Auditor of State's Office, Public Integrity Assurance Team.

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Updated May 29, 2018

Mr. WENSTRUP. In Ohio, we are fortunate that the court identified this fraud and took care of it.

Mr. Favre, thank you for being here. I have admired your career. I am from Cincinnati. You didn't get to beat up on us too much, but other people did. So, you know, we have seen some change.

But anyway, I am going to ask you, how do you think policymakers can act now to protect TANF funds so we don't have to continue chasing fraud after it has already occurred?

Mr. FAVRE. Again, I can only speak in my experiences, but I look at something that is happening presently. The attorneys that the State has hired to represent them against myself and others, unbelievably, is being paid with TANF funds as we speak. And, I mean, that has got to stop.

You know, I mean, this has been a 3- or 4-year saga for me and the State of Mississippi, and as much attention has been garnered our way, you would think that we would have this resolved by now, but yet here we are. And I am not smart enough to figure out what needs to be done in a lot of areas of TANF, but I know that the senseless use of TANF funds for things that are not intended for has to stop immediately.

Mr. WENSTRUP. We need a few more people with a conscience. Thank you. I yield back.

Chairman SMITH. Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

We sit in this hearing today to address a critical problem with public assistance in this country, a problem that has been exacerbated by one of our witnesses here today who is facing allegations of misusing TANF funds for corporate gain.

Mr. Favre, right off the bat, I would like to ask you about these funds. A Mississippi state audit found that about $5 million in TANF resources were reallocated to pay for the construction of a volleyball facility at your alma mater, a facility that you were very interested in seeing come to fruition. An additional $1.7 million was directed to a drug company in which you are an investor. And, still, another $1.1 million in speaking fees was given to you for speeches that you never gave.

Now, you and your attorney stated that you repaid the speaking payments but not the others, and additionally, the state of Mississippi is pursuing interest on these millions of dollars.

Do you plan on repaying these funds to the state of Mississippi so that families in need who are the beneficiaries of TANF can receive the benefits that they are due?

Mr. FAVRE. Well, first of all, thank you for the question. I have repaid, and to my knowledge, I am the only person who has repaid any money.

Ms. SANCHEZ. Have you repaid interest on the millions of dollars that were misallocated?

Mr. FAVRE. No, I have not.

Ms. SANCHEZ. Okay. Thank you.

You have come in support of former President Trump's campaign, and the Trump abortion ban makes it illegal for a woman to access reproductive healthcare in the state of Mississippi. The funds you are alleged to have misused are for a program that overwhelmingly serves poverty-stricken single mothers who are some of the women most affected by Trump's radical abortion ban.

So tell me, Mr. Favre, do you think it is acceptable to divert critical funding away from disadvantaged women who need it the most?

Mr. FAVRE. Well, first of all, I have no knowledge of President Trump's policies in regards to that, and I am not directly involved.

Ms. SANCHEZ. Well, the question is a simple yes or no.

Do you think it is acceptable to divert TANF funds away——

Mr. FAVRE. No.

Ms. SANCHEZ [continuing]. From women who need it the most? Thank you.

Mr. Favre, you are testifying before this committee today amid allegations of fraud, and you are alleged to have used funding meant for low-income families to help fund a volleyball center at the University of Southern Mississippi.

And as you can see behind me, these are texts between yourself and Nancy New, who pled guilty to similar charges back in 2022. You have denied knowledge of TANF's stated purpose—although it is frankly in the name, Temporary Assistance for Needy Families—and you also stated in your testimony that you want to help protect TANF presumably from people like yourself who use it for unrelated spending.

I am going to set aside the fact that not knowing the law—so not having knowledge of the law is not an excuse for breaking it, and that is a concept that my son even understood at 10 years old. You stated that you are here today to encourage the federal government to increase oversight for the TANF program, but sitting here today, I don't know that you possess any credentials that make you any kind of expert in TANF or how funds are allocated. You have never worked with TANF funds or you have never received them. So I am going to direct my next question to somebody who is actually a subject matter expert on TANF.

So, Mr. Dortch, you were one of the early advocates who called attention to the corruption in Mississippi's TANF program. I just want to know, how do you think families were directly affected by years of bad or negligent actors who misused those funds?

Mr. DORTCH. Well, thank you for the question. Mississippi does have a history of making it hard for people to be able to access benefits that they are entitled to. I think what you see with TANF is a lot of people don't even try. They give up. They don't think that this program is going to assist them. If anything, they think that they could get in trouble by trying to get assistance from this program.

And the funny thing about it is we have a State director who says just as much, and he is like, we can't get people to come apply, and he wonders why. And I am like, you have a history of punishing people if they make any mistake, and the assistance that is available is not enough to really support anyone.

So you don't get cash support. You don't get all these other job support things that you need. They have made it a—people are really just too afraid to even approach the TANF program.

Ms. SANCHEZ. But if people were able to access TANF funding and if TANF funding did the things that it was intended to do, how could that make a difference in these families that are struggling to make ends meet?

Mr. DORTCH. I think what we have seen, especially with programs in Jackson, the Magnolia Mother's Trust, is that people that get cash assistance—they are able to buy groceries for their families. They are able to buy things for their children. They are able to get the space to breathe to be able to do things, like apply for—apply to go to school, and look for other jobs. They aren't so pressured in life by trying to make ends meet when they can't make those ends meet.

There are too many people in our State that are just lacking the resources, and to see that millions are going out the window and not helping anyone—it is really frustrating.

Ms. SANCHEZ. Does it make you angry?

Mr. DORTCH. Yes.

Ms. SANCHEZ. It makes me angry, too.

Mr. DORTCH. For about six years.

Chairman SMITH. The gentlelady's time has expired by 50 seconds.

Ms. SANCHEZ. I yield back the balance of my time.

Chairman SMITH. There was no balance.

Mr. Ferguson.

Ms. SANCHEZ. Well, there were many Members that went over their time, Mr. Chairman, but I will accept it.

Chairman SMITH. Not Republicans today.

Dr. FERGUSON. Thank you, Mr. Chairman.

And, you know, Mr. Favre, I want to thank you for coming. Unlike my colleague, I am not mad at you about much, but I am mad that you couldn't stay with the Atlanta Falcons. You know, what could have been.

But, beyond that, you know, I appreciate you being here, and I appreciate you coming knowing that you were going to get asked some tough questions, because I know you are trying your best to make sure this doesn't happen elsewhere, right? So thank you. Thank you for stepping up and doing that.

And do you think, based off of your knowledge and what happened in Mississippi, if Congress doesn't act, this may happen in other places?

Mr. FAVRE. Quite frankly, I think if nothing is done, it will happen in other places and does happen. So, first and foremost, something needs to be done to make sure people get it that need it.

Dr. FERGUSON. Thank you. You know, a lot of conversation today on lifting people out of poverty. It has been my experience, and growing up in West Point, Georgia, we saw the effects of what happened when you lose tens of thousands of jobs primarily as a result of decisions that are made by this place. We lost about 35,000 textile jobs in our area following NAFTA.

And in the following years, we watched a lot of people fall into poverty, and they get trapped in a cycle of poverty because they don't have—they don't have access to the jobs that they once did. And it is pretty painful to watch your friends and family, you know, lose what they had.

And you can—I think the right thing to do by our—you know, to help our most vulnerable is to do just that. It is to help, you know, make sure that they have got some resources so they have got a chance to get through the bind that they find themselves in when they don't have access to a good-paying job, whether they lost that job are whether they are looking for their first job.

But, you know, Mr. Underhile, I really appreciate your story, and it reminds me of a lot of folks back home that just really had to fight and scrap to get over that hump. But, you know, I think you are right in that if you don't have a job, you are never going to get over that hump. You are going to keep running into that same hump.

And could you talk just a little bit not just about, you know, getting over that hump, but, you know, some of the barriers that a lot of people in poverty face trying to get from point A to point B? Whether it is education? Whether it is the financial cliffs that occur when you start making money and your support—your safety net just goes away altogether? Do you think it would be more advantageous to have a safety net system that gradually went down as the individual found success, you know, in the workplace?

Mr. UNDERHILE. I think that would be extremely beneficial. Like you said, when you do get gainful employment, your benefits or welfare or whatever you got coming stops, and you may not be over that hump yet. And if you don't have, like you said, a little bit of a safety net that would help you get over that hump—that way, when you are on the other side, you have gained the knowledge and experience to proceed without it.

Dr. FERGUSON. Yeah. You know, I think people get trapped in cycles of poverty, not because they are not trying to get out, but, I mean, if you get a job and you are making $15 an hour, and then all of a sudden, your benefits are cut all the way back, you are losing money, right? So you have got to have some sort of tapered program.

And let me say this about jobs. You know, in rural Mississippi, Mr. Dortch, I think you were talking about how there are just some counties where there just aren't jobs, right? And listen, being from Georgia, we have got some counties like that as well. And a job 25 miles away might as well be 150 miles away, you know, if you can't get there.

But I think we have got—and one of the reasons I think it is so important we are talking about this with job creation is to think about what happens in the coming years and doing everything that we can to make America the most competitive place in the world to do business and grow jobs. America works when Americans are working.

And we have got to be creating jobs in all of our counties, and some of those may not be traditional manufacturing jobs. They may be technology jobs that really, quite candidly, give people access to a digital economy and a great way to make a living that they currently don't have.

So I just recognize the challenge in a rural county. You know, when you are poor in a rural county, you are not Black, White, Hispanic. You are just poor in a rural county, and you need a little help to get over that hump. And we need to be growing this economy at an exponential rate to help our fellow Americans.

With that, Mr. Chairman, I yield back.

Chairman SMITH. Thank you.

Ms. Sewell.

Ms. SEWELL. Thank you, Chairman Smith.

You know, I came to the House Ways and Means Committee to fight the war on poverty, not to hurt the impoverished, and I think that today's testimony and today's hearing puts a spotlight on what I think is a glaring problem, which is the fraud and abuse.

You know, we have heard time and time again that the false narrative, in my opinion, is that the people living in poverty seek to take advantage of this public lifesaving program like TANF when, in fact, I think this hearing has shown that major fraud occurs when these programs on the state level are taken advantage by state officials entrusted to manage these programs, not by struggling parents and families.

Most TANF recipients in my district, I have to say—and I understand half of the families receiving TANF includes support for our children. So the face of TANF in so many ways are our children. That makes, I think, the fraud and abuse even worse, because we are literally taking money out of the—you know, out of the hands of children. This misuse of TANF funds poses a serious threat to those health conditions and make life even more difficult for those children and their families.

I think we need accountability, but at the same time, I would like to explore what states like Mississippi are doing. I represent the state of Alabama, and we make it very, very difficult for people to apply for TANF.

And I would like for you, Mr. Dortch, to talk a little bit more about what the barriers are and what reforms. You know, this hearing is really about acknowledging a problem. All of us acknowledge it, but what are we going to do about it, right?

And I think it is appalling that, if the state of Mississippi is receiving funds back because of this fraud and abuse, that they are not directing those funds to the needy families that didn't get the funding they needed because of the fraud. That is one reform. And I know that the Integrity Act that many of my colleagues are authors of and I support would do just that.

Can you talk to us about what the reforms should be?

Mr. DORTCH. Sure. You know, as I mentioned before, the requirement that you do an upfront job search is something that definitely needs to end. Drug testing requirements, that prevents people from applying. And we know everyone that has used drugs is not a terrible person or a criminal. But if you know that that is in your system, you are not going to apply for these benefits.

And, also, the sanctions that can happen when a person fails to make a meeting—a routine meeting with their counselor with TANF. You can be sanctioned in other areas and lose benefits.

There are so many things that are put in place to make it difficult for people to be able to access benefits, and that prevents folks from even trying to get it.

Ms. SEWELL. In so many ways, what you are saying is that people distrust the system and also that we set up barriers that make it much, much harder for real needy families to get help.

And, you know, I think that we have to work with the state level. When we send these funds down, we need to give the proper guardrails and put those proper guardrails and not leave it to ambiguity—so much ambiguity that this abuse could actually fall within the realm of possibility and therefore happens.

And so, look, I think, Mr. Dortch, if you can talk a little bit about, you know, the punitive nature of a lot of these barriers.

Mr. DORTCH. Yeah. I mean, it starts from a place of the government not trusting folks and being punitive to low-income folks.

We apparently trust a program to receive $86 million a year, even though they have committed outstanding acts of fraud and there are no requirements and no sanctions put on that program. But people that are receiving just $260 a month, we want to check their income every month. We want to verify that they went on a job search. We want to drug-test them.

We want to scrutinize them as much as possible when—I am simply saying that I don't distrust everybody in my State. I don't start from a place thinking someone is trying to game the system. I think people are trying to do good by their families, and they are trying to make it in a tough place to make it. And to treat people essentially like they are criminals and have their tax returns even audited for receiving benefits is insane to me, and it is very hurtful as well.

Ms. SEWELL. And it seems to be costing the children who it is supposed to benefit their ability to get ahead.

So, Mr. Chairman, before I close, I just want to reiterate that I think there is a lot of bipartisan support in us coming together and trying to find some solutions, and I for one would love to help lead that charge. Thank you.

Chairman SMITH. Absolutely. Thank you.

Mr. Estes.

Mr. ESTES. Thank you, Mr. Chairman, and I would like to yield some time to Mr. Ferguson.

Mr. FERGUSON. Mr. Chairman, I would like to submit two letters for the record: One from the California Welfare Fraud Investigators Association and the United Council on Welfare Fraud. They are both applauding this committee for having this hearing.

Chairman SMITH. Without objection.

[The information follows:]

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September 20, 2024

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1011 Longworth House Office Building
Washington, DC 20515

RE: Full Committee Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind

Dear Honorable Chairman Jason Smith and distinguished Ways and Means Committee members,

The California Welfare Fraud Investigators Association (CWFIA) wishes to congratulate the committee for openly discussing the current situation regarding the TANF program and the responsible usage of the taxpayers' monies within that social program. Since California utilizes a full 25% of TANF funds nationwide[1], CWFIA would like to give input on this current issue.

Since 1972, the CWFIA organization has been fighting for strengthened program integrity within the social programs in California. We have seen the TANF program (named CalWORKs in California) change, grow, and assist the needy within our State. Since we are fraud investigators, our daily focus is the intentional theft of TANF and SNAP monies from the social programs and we are the subject-matter experts on fraud within those programs.

On July12, 2023, your Subcommittee on Work and Welfare, held a hearing on: *'Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty.'* Witnesses testified about problems in current law that open the door for diversion of funds away from TANF's core purposes and creates an environment ripe for waste, fraud, and abuse. CWFIA would like to point out a secondary core problem that is stripping away the integrity of TANF and is victimizing the underprivileged.

Prior to 2021, TANF thefts were generally committed by the recipient's themselves in the form of falsifying or omitting information to obtain extra funds beyond what they were eligible for. Though problematic, these thefts attack government accounts and the government managers readjust and keep moving forward without negatively affecting any recipient in the TANF program. Under the guise of removing application barriers, self-attestation was (and still is) the culprit in these cases.

[1] tanf_spending_ca.pdf (cbpp.org)

Then the COVID pandemic set upon us all and the California Employment Development Department (EDD) debacle attracted multi-national criminal syndicates to establish a major foothold in America. The schooling which occurred during the EDD 32-billion-dollar crime wave primed the syndicates to target the other social service funds in our Nation. TANF was the next easy target and skimming the Electronic Benefit Transaction (EBT) card was their Achillies heel.

As we navigate towards the end of 2024, the newspapers are predicting California's theft loss will be around $120 million in TANF and SNAP benefits[2]. That number is the 'reimbursed' amount of dollars lost and is not even close to the actual loss. Upon careful research of cases that come across investigators desks, we estimate over 85% of all TANF and SNAP recipients' cases are being attacked. The recipients generally do not report their benefits stolen immediately and many will wait until the third theft before claiming victimization. The true number is not known because that data is not accurately captured by the State.

CWFIA believes a genuine and authentic discussion needs to be conducted by the Ways and Means Committee on September 25, 2024. We agree that the problems in current law that open the door for diversion of TANF funds away from TANF's core purposes need to be discussed. But, the TANF funds that are being stolen directly out of the recipient's EBT account need to be added to the conversation. The same State agencies that are unwilling to attack the pressures of a modernized criminal society with existing American technology and ingenuity are the true barrier of program integrity.

There are solutions to the TANF integrity problem if the committee will focus on what the subject matter foot soldiers are encountering. The EBT card has a 1970's technological magstripe on the back of the card that needs to be eliminated immediately. Affectively, that means approximately 42 million TANF and SNAP cards would need to be replaced with chip/tap only cards. It will also cause the merchants to reprogram or re-purchase their card reading machines. Card replacement would run 105 million dollars of cost alone, but that is LESS than the annual amount of loss SNAP and TANF within California alone!

Another solution is to place the same banking standards on the EBT card as our major credit card companies and banks utilize. This is logical and the procedure is already known. The only reason it has not happened yet is the lack of fortitude by the United States Agriculture Department – Food and Nutrition Service (USDA-FNS) to take fiscal responsibility for the loss.

Finally, we have world renown tech giants in our great Nation who have already made a fraud detection product to combat all the internal and external fraud pressures that plague the social service programs. Fraud prevention begins at the intake worker and 3rd party vendors can place a simple fraud analysis product on every State computer which will assist in stopping fraud before it begins. Nationwide, this product should be mandated to every State who receives your funding. The cost could be paid for by deducting it out of the existing administration funding within the block grant. The fraud prevented will more than make up the revenue spent on this expense.

The Ways and Means Committee is a Constitutional institution who oversees the public funding responsibility for the American people. Your committee's importance cannot be overstated nor your heavy responsibility to keep an eye on the proper operation of programs supported. CWFIA is equally committed to program integrity within TANF and SNAP. We believe that the disadvantaged citizens of our Nation deserve to be secure in the assistance promised and are anxious that the outcome of the upcoming hearing will solve their problems. The current condition of TANF is weakened by the

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[2] EBT theft in California has cost taxpayers tens of millions- CalMatters

inactivity within the leadership USDA-FNS and our legislators need to act so the problems of fraud are seriously addressed.

CWFIA will always be available to the Committee and are looking forward to assist in our Nation's social service programs.

Sincerely,

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cc:

Congressman Richard Neal – Missouri – Ranking Member of House Ways and Means Committee
Congressman Dairn LaHood – Illinois – Chair of Subcommittee on Work and Welfare
Congressman Danny Davis – Illinois – Ranking Member of Subcommittee on Work and Welfare
Congressman Brad Wenstrup – Ohio – Subcommittee member on Work and Welfare
Congressman Mike Carey – Ohio – Subcommittee member on Work and Welfare
Congressman Blake Moore – Utah – Subcommittee member on Work and Welfare
Congresswoman Michelle Steel – California – Subcommittee member on Work and Welfare
Congressman Lloyd Smucker – Pennsylvania – Subcommittee member on Work and Welfare
Congressman Adrian Smith – Nebraska - Subcommittee member on Work and Welfare
Congresswoman Claudia Tenney – New York – Subcommittee member on Work and Welfare
Congresswoman Judy Chu – California – Subcommittee member on Work and Welfare
Congresswoman Gwen Moore – Wisconsin – Subcommittee member on Work and Welfare
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September 20, 2024
<Sent via electronic mail>

The Honorable Jason Smith
Chairman, House Committee on Ways and Means
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Washington, DC 20515
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RE: September 24th TANF Reform and Misuse of Funds Hearing

Dear Chairman Smith and Members of the Committee,

On behalf of the United Council on Welfare Fraud (UCOWF), I am writing to express our support for the upcoming hearing on fraud and needed reform in the Temporary Assistance for Needy Families (TANF) program. As the only national non-profit organization dedicated to combating fraud, waste, and abuse within social service programs, UCOWF has been at the forefront of this mission for over 50 years.

THE NEED FOR REFORM: PREVENTING FRAUD AT THE SOURCE

Fraud, waste, and abuse within TANF is not a new issue. However, as demonstrated by recent high-profile cases, both States and fraudsters are actively exploiting longstanding issues and program inadequacies that require immediate action by Congress and the Administration for Children and Families (ACF).

However, the methods used by bad actors are becoming increasingly sophisticated, highlighting the need for stronger fraud prevention and program integrity mechanisms. Current policies, such as reliance on self-attestation for key eligibility factors, insufficient identity verifications, and lax oversight on State administrative flexibilities has created significant exploits and vulnerabilities that demand better program oversight, accountability, and stewardship. Or in football terms, it's past time to get back to the basics of blocking and tackling. The current "Pay and Chase" playbook is not working.

Identity Verifications and Knowing Your Customer

One of the foundational flaws is the inadequate identity verification protocols for TANF recipients. States often rely on self-attestation without requiring basic Fraud Framework policies, guidance, and independent verifications, which make it easier for bad actors to exploit the system. This has also helped drive the unacceptable theft of recipient benefits loaded on EBT cards through account takeovers and falsified information. These issues impacting other programs under Committee oversight, such as SNAP, SSI, and Unemployment Insurance require common-sense reform.

Solution: Mandate the use of identity verification tools using best-industry practices, such as multi-factor authentications and compliance with NIST identity standards already successfully used in other federal programs and the private sector.

UNITED COUNCIL ON WELFARE FRAUD

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Eligibility Verifications and Asset Checks

The TANF program also lacks rigorous eligibility checks, particularly with the loopholes found in Broad-Based Categorical Eligibility (BBCE). Current protocols left up to States often permit self-attestation of income, liquid assets (resources such as money in the bank), residency, and household composition without requiring corroboration from third-party sources. Further, the antiquated Public Assistance Reporting System (PARIS) maintained by ACF has been down since the last national quarterly match in February.

This opens the door to widespread waste and fraud which States disregard, and applicants can misrepresent their financial circumstances in what is supposed to be a "means-tested" program without fear of getting caught until after benefits are already disbursed (if ever). Our membership sees the daily impacts of over-reliance on applicant self-certifying and use of outdated and flawed federal databases that amounts to nothing more than "checking a box" to an uninformed public.

Solution: Mandate all eligibility verifications, consistent with President Biden's Zero-Trust Initiative. We support a "Trust but Verify" effort. The only way to fight bad actors using stolen personal identification information (PII), are good guys utilizing better data.

Theft of Recipient Funds

The theft of eligible recipient intended funds placed on EBT cards demands immediate action. To date, nothing has been done to prevent this – only Congress' well-intentioned approval to replace stolen benefits in SNAP and TANF. Yet the problem continues, and the issue goes beyond "EBT skimming" and placing chips on cards. UCOWF addressed these issues in an August 30, 2024, letter to Speaker Johnson.

Solution: Mandate fraud prevention in any appropriations continuing resolution.

CONCLUSION: Strengthening TANF Integrity

Fraud within TANF not only undermines public trust, but also deprives the most vulnerable families of the assistance they need. Decisive action and reform measures are needed to improve oversight and accountability to the proper stewardship of taxpayer funded programs. The issues we have identified here cross government programs. We encourage the Committee to review similar program integrity shortfalls in our recommendations for the current Farm Bill. The document may be viewed on our website.

We respectfully ask that the Committee consider these points and address these issues in the upcoming House Ways and Means hearing on September 24, 2024.

Please let me know if UCOWF can be of further assistance to you as you rein in fraud, waste, and abuse in government assistance programs.

Sincerely,

Ashley Wilkes

Ashley Wilkes, President
United Council on Welfare Fraud
www.ucowf.net

Mr. FERGUSON. Thank you. I yield back.

Mr. ESTES. Thank you.

Thank you, Mr. Chairman, for holding this important hearing.

And thank you for our witnesses for being here to highlight some of the issues that we are facing and some of the things we want to make happen to get positive output and results with the TANF system.

I am glad we are talking about how we can reform and improve TANF to make sure the beneficiaries actually benefit from they are meant to be served. We have been talking a lot about the need for guardrails to prevent misuse of TANF funds and for making sure that funds get to the right recipients.

Today, I want to highlight a TANF-funded program that has been a great success and a responsible steward of critical taxpayer monies. JAG–K, or Jobs for American Graduates in Kansas, is part of the national JAG program that offers students in grades 6 through 12 the tools they need to successfully transfer from post-secondary school, the military, or directly into the workforce with marketable skills. Participants in the program face multiple barriers to succeed from their JAG–K career specialist that helps them overcome through a nationally accredited, evidence-based model. As one student said, "JAG–K teaches us how to set goals and accomplish tasks necessary for success."

I have met some of these students and can attest to how impressive they are and how much they credit JAG–K for helping them get where they are. In Kansas, JAG programs serve approximately 6,200 students in 48 school districts across the state, including 805 high school graduates last year. JAG–K has exceeded national standards in the top major success categories since the class of 2014, and unlike some of the data stated today, the administrative costs of JAG–K are less than 9 percent of the total budget.

JAG–K also goes to great lengths to protect TANF funds and the integrity of its funding. The JAG–K team submits a budget at the beginning of the year and, each month, itemizes expenses against the budget, submitting receipts and documentation to support those expenditures. They are audited annually and independent auditors test their internal controls.

In addition to the financial reporting, JAG–K submits monthly programming status reports and quarterly progress reports towards performance measures. JAG–K then produces final reports on both TANF expenditures and program outcomes.

The success of the JAG–K program, both in its student outcomes and in its responsible stewardship of taxpayer monies, shows how appropriately used non-assistance TANF funds can make a positive change in society. With the right changes and guardrails in place for TANF, more and more of these well-funded and well-functioning and successful programs can serve people in need across the country.

As we have observed in Kansas with JAG–K, flexibility in how states use non-assistance funds has allowed states to fund highly successful programs that follow this period of TANF, but clearly, there are room for improvements.

Mr. Adolphsen, as we think through possible reforms, what suggestions do you have for eliminating potential abuse while still maintaining flexibility for states in truly successful programs?

Mr. ADOLPHSEN. Thank you, Representative, for the question. Another great example you just highlighted of success in the program. There is a lot of it. Obviously, we are talking about misuse, but there are some great programs out there.

I would suggest a couple things. First is measure performance. And we need to do that very well, and we don't often enough. And so what do I mean by that? Every participant that comes in the program that we are helping walk through with case management, with job support, with cash assistance, we should follow that person when they leave the program into their job. Did they stay at the job 30 days? Sixty days? Ninety days? What happened? Did their incomes go up? And when we do that, you start to see which programs work the best, and we can put more resources towards those programs.

We did that in Maine with our case management group that worked there, and it was amazing to watch those folks progress and doubling and tripling their incomes over the next year or two. So I think measuring performance outcomes of all these programs is really critical stuff.

Mr. ESTES. Thank you. And we know assistance on—we know spending on non-assistance as opposed to basic cash accounts for 78 percent of all TANF spending, yet there is so little data on the non-assistance funding services and tracking with success.

So thank you. Thank you all—for the witnesses for being here.

Thank you, Chairman, for putting this on.

You know, these are just some of the ways that we talk about how we successfully use TANF programs and making sure that successful programs like JAG–K can continue to deliver results for those in need.

I yield back, Mr. Chairman.

Chairman SMITH. Thank you.

Mr. Smucker.

Mr. SMUCKER. Thank you, Mr. Chairman, for holding this hearing today.

I would like to thank all the witnesses for traveling to be with us here as well.

We have heard a lot about the importance of the TANF program to help low-income individuals achieve independence through connecting them with stable employment and strengthening their families. We have heard also—we know that states have a great deal of flexibility when determining how to use the TANF dollars to best meet the needs of program participants. And, of course, we have heard a lot about the lack of proper oversight and accountability that has led to significant abuses of the funds.

Mr. Underhile, we appreciate you being here and sharing your story, and I think you have highlighted and you have talked about—many of us have talked about the importance of reentering the workforce, finding meaningful employment to reach self-sufficiency, and I think that is really the ultimate objective of a program like this, to help individuals achieve self-sufficiency.

We have talked about a bill that Dr. Wenstrup and I have introduced, and I just have a chart here to highlight, I think, the importance of this bill. We mentioned the flexibility that states have.

Only 8 percent of TANF—TANF is used for a number of—a number of different ways by each state, but only eight percent overall of TANF non-assistance funds were spent on work or work education or training activities. That is the arrow you see. So that little blue block just shows the amount of dollars that have gone to directly help individuals get assistance and find work. And so, I think it is a problem. It is an opportunity to improve the system.

And, as I said, along with Dr. Wenstrup, I introduced the Reduce Duplication and Improve Access to Work Act. That is going to grant states flexibility to devote a portion of the funds received to workforce training programs through WIOA, or the Workforce Innovation and Opportunities Act.

So I would like to just talk a little bit—maybe, Mr. Adolphsen, I will ask you. What kind of impact do you think that legislation would have reducing—you know, if it is successfully reducing duplication and allowing States to direct more dollars towards getting more individuals into the workforce, what impact would that have on recipients?

Mr. ADOLPHSEN. Sure. Thank you, Representative.

Two things come to mind. The first is it sends a good signal—a strong, good signal that we are going to refocus and rebalance the spending back towards the key objective of work.

The second thing is, you know, WIOA and the groups that participate in that are especially skilled at getting people back to work. That is what they do every day. So it makes sense to partner with them.

I would make sure, certainly, that the rules of the program, you know, follow that funding so that it stays committed to helping the lowest-income people, adults with kids in the house, and help them get back on their feet and back into jobs.

So to have those guardrails with that funding would be excellent. It would send a great signal that we are getting back to work.

Mr. SMUCKER. You know, maybe a follow-up to that.

You talk about the guardrails, and I think it is important that states have guardrails to prevent the kind of abuses that we have seen in Mississippi and that we have heard in other states as well, but on the other hand, you know, you want to balance that, I think, with—sometimes, sort of, one-size-fits-all guardrails, if you would say, or mandates out of D.C. maybe don't always allow dollars to be used in the best way.

So what would be the balance? How would you suggest we write these regulations so that we can prevent the kind of abuses we have seen but also ensure that the States have the flexibility to use the dollars in the best way they see in their jurisdiction?

Mr. ADOLPHSEN. Yeah. It is a great question.

You kind of have to go back to the reason TANF was started, right? To get off the trend of dependency and spending that was ever-increasing. And what we have seen in other programs who didn't go that way—the SNAP program, the Medicaid program—they are now spending five times, seven times, eight times what they did before, and more and more people are trapped in dependency on those programs. So you don't want to undermine that flexibility entirely. It is all about putting up those guardrails.

And I would say one thing is require an annual audit. There is too much discretion left up to State auditors right now to get—you know, to hear from a whistleblower in order to look at the program, and it is sporadic when the program gets checked. It should just be a simple, basic, up-and-down look at all the contracts and all the spending every year. That would be a really basic guardrail. It would keep States flexible but also protect against kind of the worst misuse.

Mr. SMUCKER. Thank you. I know I am out of time, but I think that is great input and great feedback. Thank you very much.

Chairman SMITH. Thank you.

Ms. DelBene.

Ms. DELBENE. Thank you, Mr. Chairman, for holding this important hearing.

You know, I just want to highlight first that when we are in a situation where we are right now where funding the government comes down to the last minute because normal funding bills aren't being passed, we put all the families on TANF at risk. They don't know whether funding is going to come through or not.

So I just want to highlight again that the political games, the lack of leadership to move funding bills forward has a real impact on people's lives and how important it is that we pass full-year bills before the fiscal year starts.

Mr. Dortch, as a former state legislator, you worked tirelessly to bring attention to the long-standing pattern of corruption in Mississippi's TANF program. I wondered, one, can you tell us—or share some of your former constituents' stories, how that corruption impacted their lives and the impact of bad actors who caused eligible applicants to be denied assistance.

Mr. DORTCH. Sure. And a lot of the constituents' stories I have heard—and this is called in, thanks to many of the childcare operators in Mississippi, organizations like Mississippi Low-Income Child Care Initiative, Mississippi Black Women's Round Table, the Children's Defense Fund. It seems to be that childcare centers and childcare all together is like a nexus point where all of these issues with TANF and acquiring benefits come together.

Like you have childcare operators that are employing people that can qualify for TANF and have trouble getting those people employed or keeping them employed or being able to keep that person certified as a childcare operator. Then you have parents that have problems with their childcare certificate, and it may be impacted by them applying for TANF.

So a lot of these issues just really bubble up with folks that are trying to do the right thing, and TANF can be more of a penalty to folks than it is a benefit.

Ms. DELBENE. You know, what can be done to help support the eligible—again, the eligible applicants who were denied assistance because of corruption and bad actors?

Mr. DORTCH. Again, just keep it simple. We know what people need. We know childcare is a big impediment to work. We know that people cannot go to work if they can't travel and they can't drive to a job. These are direct assistance—direct things that can be given to folks or provided to folks that we know will help them be able to work more. You can work more if you are a parent and you have someone that can take care of your children.

The absence of that is something that is jarring in Mississippi, so we have to make that a priority. Innovation is great, but let's make sure States are doing the basic things that we already know work.

Ms. DELBENE. You touched on this a little bit in your—and you said in your testimony, too, that the Mississippi legislature has largely failed to address TANF fraud. What new laws should the state legislature pass to reform its TANF program to better serve the people of Mississippi?

Mr. DORTCH. I have got about a dozen I found and other friends on the legislature found. I don't know where to start, but oversight is a big thing. It was insane how hard it was to get information from our TANF—on our TANF program even as a State lawmaker. So transparency is a big thing.

I think making sure that money is going to people that need it and that we increase the benefit because the benefit is already too low. We need to make sure that as much is going into childcare as possible. If that means transferring money from the TANF program to childcare, I think that is great.

I still remember an opportunity that I had to ask the former DHS director, who's since pleaded guilty to fraud, we had a long list of people waiting to get childcare benefits. And I asked him why can't TANF—if you have got all of this money you are not spending, why can't you put this money into childcare? And his response was, Well, we would have to create another program.

And so I said, Create another program. You are being creative with this Families First and letting them spend $50 billion on nothing. So just the attitude of we are not here to help people, we are here to certainly punish people and make things punitive on them.

Ms. DELBENE. Thank you. I appreciate it.

And I yield back, Mr. Chairman—Madam Chairman.

Ms. TENNEY [presiding]. The gentlewoman yields.

I now recognize Mr. Hern for 5 minutes.

Mr. HERN. We appreciate you all being here today.

While I didn't grow up in Mississippi, I grew up in Arkansas in the Ozark Mountains. And, you know, I don't have to go talk to constituents about this because I lived and breathed this as a young child and lived on AFDC which was the prior TANF back in the day.

And you still talk to family members who are perplexed when I tell them after I got here and got on Ways and Means about 3.5 years ago, and I was on the Subcommittee on Work and Welfare, and I learned then—and I just verified—134 programs in the Federal Government spending over $1.1 trillion annually for the social safety nets.

Now, there is $770 billion a year spent by State and local governments, so almost $2 trillion annually. And if you are poor in America, you would have a hard time believing that.

And as Mr. Dortch just said, it is insane to see the amount of money that is going out of the Federal Government that is never helping a single person, and it is really a sad, sad notion, because this describes—TANF is just one of the many issues we have in this area when you have this much money.

And, you know, as a Member of Congress for the last 5.5 years, what I find here is nobody has the intestinal fortitude on either side to get rid of a program. We just put another one on, and it becomes even more inefficient.

There are seven different cabinets that manage these programs in the federal government, and they are not doing a very good job. I think it is time we actually sit down and go through every one of these again to see if we are actually doing a great job or not.

There is a saying in business that marketing 50 percent is bad. If you could figure out what that was, you would be a lot more efficient. Probably half of this money that goes out is going into places of fraud we are having to deal with when you have state agencies that have all of this control and power.

You know, there is an old saying that says, "if you give a man a fish, you feed him for a day. If you teach him how to fish, you feed him for a lifetime." And I think, Mr. Underhile, that is exactly what you are saying is you have learned how to fish, and you learned how to get a job and work.

What I find in my family members over the years is that they have gotten very frustrated at the federal government, or other people, because they have seen a similar lifestyle and those people have gone on to success in life because they chose the route you did, and I would argue one that I did, and learned how to work, you got better, you got educated. Life was tough.

Many times you thought it was unfair that you took the road of hard knocks, but you are thankful for that now because maybe siblings or cousins or uncles or aunts that you left behind, they are very frustrated. They are jealous of you because the government didn't make them what you worked your tail off to get to.

That is the American opportunity that we need to continue to protect. And we have got to help people get off—you know, up, have a hand up and not continuous handouts. And the education part, as my colleague Mr. Smucker said, is really important. When I first moved to Oklahoma, I had the opportunity to chair a seven-county workforce WIOA board and where all of the agencies and all the different groups came together on education, how to get people, you know, a job so they could get a better job so they could get a career. This is what this place is supposed to be about is helping those who need help.

And we are not doing a really good job of it. This and other committees have the jurisdiction of that. We need to pause for a minute because we are not doing right by the American people. And some say, "well, you know, how much are we helping?" Well, since our war on poverty since 1965, $30 trillion has been sent out to the American people, out to the States. And we have been woefully ineffective in making that work.

We still have places like in Arkansas, Mississippi, and Oklahoma that really need a lot of help, Missouri needs a lot of help. And we need to stop and pause. And if we really care about the American people, it is not about the money. We have got the money. It is just that we are not being effective in these programs.

So, you know, I would love for you to one more time for the record tell your story about what it meant for you to get a check and to grow that check and to get that first job, a job to get a better job to work on a career. I think it is a story that every American needs to hear that thinks there is no hope in America.

Mr. UNDERHILE. You know, the SkillUP program that I went through when I went to school, had they not given me the $15 a day—as long as I attended school that day, I got $15 a day to help for gas for a 60-mile round trip every day, that took a burden off my wife. And I just—I understand having to have transportation back and forth to work and programs to provide that, and I just—everybody wants to talk about the kids, the kids, the kids.

Well, the kids are victims of their parents. We are all in charge and responsible for our own choices. If those programs are available and I have to take a drug test to be available for that program, if I want my kids a better life, stop doing drugs. Get up and go to work every day.

I mean, the programs are there. Yeah, they are probably difficult, and some of them are difficult to get signed up for and get what you need and—but they are there, and you are responsible for yourself and your family. Get up and do what you need to do.

Mr. HERN. I want to say thank you. We have run out of time here, but I appreciate it so much, all of you all being here to put a spotlight on this issue. Again, it is one of the many parts that we need to get after. And I think everybody—it is a bipartisan approach to make this work, and we have got to get together and really help the American people.

Thank you all.

Ms. TENNEY. Thank you.

The chair recognizes Mrs. Miller.

Mrs. MILLER. Thank you, Madam Chair.

Thank you all for being here today. I really wish I had the available time to speak with each of you because I think it is just so important. And I am encouraged that we are taking the necessary steps to ensure that TANF nonassistance spending has appropriate oversight.

In reviewing the GAO's statement for the record highlighting the forthcoming report from Chairman Smith and Chairman LaHood requested to investigate TANF's nonassistance spending, one of the things that disturbed me was how widespread and repetitive TANF waste, fraud, and abuse is in our country and how weak our accounting systems are to catch and correct it.

According to the GAO, 99 of the 155 audit findings have repeated for at least one year. In my home State of West Virginia, they have had the same internal control deficiency finding reported for 15 years, and nothing has been done to correct it.

Mr. Favre, do you believe more scandals like the one that you found yourself involved in in Mississippi is possible across the country if we don't act now to reform and bring more transparency and accountability to TANF?

Mr. FAVRE. 100 percent, absolutely. If it can happen in my state, it can happen in any state.

And you just spoke on the statistics, and it is kind of frightening, to be honest with you, what is being wasted.

Mrs. MILLER. Well, thank you for that answer, and I am sure there is a lot more that you could say.

I will talk to Mr. Adolphsen a little bit as well.

TANF is our Nation's primary welfare program, but it is my understanding that there are no federal guidelines about eligibility and that there are issues about how funding is allocated to the states. We know TANF is not allocated to each state based on the number of families in poverty. But based on your testimony, we know that you believe TANF could be better utilized if that were the case.

For example, in West Virginia, we have historically had a higher poverty rate compared to the rest of the country, and that would mean that my home state would need more funds to address the unique challenges and demographics of my rural community.

What can we do on the federal level to make sure that TANF money is actually getting to families in poverty and to states with the highest rates of poverty?

Mr. ADOLPHSEN. Thank you, Representative, for that question.

Just to mention, one of the things we could do right now to stop this from happening is to actually enforce some of the rules we do have. So California has been out of compliance for 15 years with their work participation rate. HHS has said that there is a billion dollars in fines essentially that they should levy, but they have written that down to $60 million.

We have these audits that you mentioned that the GAO is looking at. The first and easy step is just to act on those basic oversight measures that we can already take. And I think just the question of the funding, it is exactly the right question, how do we make sure—there is money in these programs, right? There is unobligated funds. There is carryover funds. There is a large outlay of funding to the States. We need to make sure it gets targeted down to the folks who need it the most.

We need to get into the rural areas, into the areas of each State with the highest levels of poverty where they need some cash assistance to help get back on their feet. And the way that can be done is by making sure States use most of that funding to meet the core objectives because those are going to target those in poverty directly.

Mrs. MILLER. Well, the criteria—is there any other criteria other than poverty rates that you believe actually could be prioritized when determining which families receive the TANF funds so that we can ensure that the neediest families get it?

Mr. ADOLPHSEN. Yeah, good question. It should be—you know, there should be some income thresholds associated with this support and not just the cash support in the states but also these other job assistance programs, education attainment.

You know, again, California spends a billion dollars a year on tuition for higher education, for college. Well, that is not directly for the purpose of the program when that has no income threshold on it, and you have families well above the poverty line, six figures, getting those tuition grants.

Mrs. MILLER. So they are working the system?

Mr. ADOLPHSEN. That has to stop in order to make sure we can target the funds to those who are truly in need.

Mrs. MILLER. Well, thank you.

Madam Chair, I yield back my time. Thank you.

Ms. TENNEY. The gentlewoman yields.

We now will hear from Ms. Chu for 5 minutes.

Ms. CHU. I hope that every member of this committee, regardless of party, can agree that a terrible crime happened in Mississippi. It is outrageous that millions in federal TANF dollars meant to support low-income families was used instead to fund wealthy individuals and their pet projects such as building a new volleyball stadium.

Congress member Bennie Thompson has written a series of letters, very insightful and important letters, and one thing struck me. He said, "According to the audit that exposed the scandal, Mississippi could have purchased roughly 3 million diapers with the $1.1 million in welfare funds that MDHS paid Brett Favre."

And I acknowledge that you repaid the funds too. But to think about what happened, that equaled about a year's worth of diapers for 1,145 moms. Mississippi is one of the poorest states in the nation, with 20 percent of the citizens living below the poverty line. And even though Mississippi recovered this money, the state is still not reinvesting the money in the families that needed it the most.

And right now the federal government has no authority to conduct oversight into how these states spend noncash assistance TANF funds, which is about 80 percent of all TANF spending.

And so while my Republican colleagues are focusing their attention on individual TANF recipients, despite there not being any evidence that these low-income families are defrauding the program, Representative Danny Davis and I have introduced a bill that would actually address what happened in Mississippi by giving the federal government the power to oversee how states are using funds and to require states to not only recover misused funds but to return them to low-income families.

So, Mr. Dortch, can you elaborate on what went wrong in Mississippi, including why certain organizations were able to misuse funds and why there is such a lack of transparency around what happened and how the bill that Representative Davis and I have introduced, the TANF State Expenditure Integrity Act, would have helped?

Mr. DORTCH. Yeah. I mean, essentially there was a lack of interest in what TANF was supposed to be in Mississippi, from State legislators to the Governor. There was not—at some point someone realized there was a big pot of money that we could turn into a slush fund and that the legislature was not going to look into it, that nobody was going to know.

And not only that, we confronted it as a success story because instead of you coming—asking for these benefits at a DHS office, we are going to send you to a nonprofit called Families First and tell you that they are going to help you, even though they provided no assistance.

As far as the legislation, the penalties, that is very important, and it is important that you do it in a way that penalizes the State and not the people in need. Mississippi has routinely ignored directives to actually invest back into people in need. Like, for instance, the State was cited for failing to take care of foster children. And our foster system—our foster care system was almost taken over. A court ordered them to invest up to 30—invest billions of dollars to hire new caseworkers and social workers. The State still did not do that. They did you not make the investment. When they started making the investment, they took the money from TANF.

So every year they have been appropriating $30 million from TANF to comply with a court order to take care of foster children. The State did not put up its own money and say, We have been failing these children that are in our system. They said, We will steal it from another program that is supposed to go to needy people.

Ms. CHU. Yeah. Unbelievably, only four percent of those eligible in Mississippi are able to get direct TANF benefits. This is not a sign of success as some on this panel have suggested. It is a crying shame, especially since the Census Bureau has shown that child poverty in the U.S. is on the rise, especially following Republicans's refusal to extend the expanded child tax credit.

And so can you explain why families lose TANF benefits in huge numbers?

Mr. DORTCH. Yeah. I mean, Mississippi, of course, makes it very difficult for you to be able to get these benefits as we talked about. There are so many barriers that prevent someone from applying for these benefits.

As the state director has said, a lot of people don't know how to access these benefits because we have had a system in place where the state did not actually have a TANF program. It outsourced it to a third party.

So the systems just aren't in place for the people to get the assistance they need.

Ms. CHU. Thank you.

I yield back.

Ms. TENNEY. The gentlewoman yields.

The chair recognizes Mr. Kustoff from Tennessee.

Mr. KUSTOFF. Thank you, Madam Chair.

Thank you to the witnesses for appearing today.

Mr. Adolphsen, if I can with you, I know we have talked a lot about TANF and the federal government and more than 80 safety net programs at a cost of over a trillion dollars every year, and that is probably part of the problem. We know that there are a lot of programs. They have a maze of programs. It is challenging for states. It is tough to navigate for families.

Can you talk about how TANF fits into the larger picture, if you will, and how we can make sure that programs are not duplicative, if that makes sense, and better coordinate the welfare programs to families in need?

Mr. ADOLPHSEN. Sure. Thank you for that question, Representative.

TANF is special in terms of all those myriad of programs you talked about because it is the one that is really centered around getting people back on their feet and eventually off government dependence all together. And so it is unique in that, and it plays a special role.

And, you know, a lot of the conversation even today you hear is around the cash portion where someone receives some cash on their card in order to help them. Well, it is to help them eventually not need that anymore. And that is exactly what it has done. And when you hear about it is difficult for people to get, that is a statement about the cash.

And there is a time limit and a work requirement in place for a reason, because folks coming in that door trying to find their way out of government dependence and into self-sufficiency, they need a timeline to work from. And that is exactly what TANF has done.

There aren't those same time limits on case management and job training and education and things that will help move them up and out of poverty for the long term. And so that really is TANF's unique role is dedicated funds to give people not just a short-term handout but a long-term hand up and on to a job.

Mr. KUSTOFF. Thank you.

One of the reforms that this committee has led as part of the Fiscal Responsibility Act was to have Health & Human Services start collecting data on outcomes so that we could improve transparency and also better understand what is working.

Do you have any thoughts, if you will, about how we can put in place outcomes, measures specifically for TANF nonassistance that can help drive states towards the outcomes that we want to see using any evidence-based approaches?

Mr. ADOLPHSEN. Yeah. I think that the rules that TANF has in place now around work participation should follow TANF funding wherever it goes. So you can—currently a State can move 20 percent of the block grant to CCDF, another grant. They can send 10 percent to SSBG, another block grant. But the TANF rules around we need you to engage on job training don't follow that money, and that is when you end up with these issues of spending on things that are not directly over that target and that mission.

And so I think one of the key guardrails would be to make sure that thread is followed along with the funding wherever it goes, that people need to participate in trying to get the training they need to get into a job.

Mr. KUSTOFF. Thank you very much.

And, Madam Chair, I will yield back.

Chairman SMITH. Ms. Moore.

Ms. MOORE of Wisconsin. Thank you so much, Mr. Chairman.

And before I run out of time, I just want to acknowledge and thank each and every one of our witnesses for appearing here today. And I also want to acknowledge some of the people who have shown up here in our audience, the Black Women's Round Table of Mississippi, the Children's Defense Fund of Mississippi, the American Civil Liberties Union. Welcome to the Ways and Means Committee.

My name is Gwen Moore, and I hail from Wisconsin. And so I don't feel the same way that the Bears fans feel quite clearly.

But I do want to say that I was at the scene of the crime when we ended welfare as we knew it in 1996. I was in Wisconsin. I was a state senator. I had a hundred amendments that would have addressed this problem.

And what I am saying to you, I just want to repeat some of the things that have been said here already, that this flexibility was deliberate. Indeed I agree with Mr. Dortch's characterization of it is that it literally became a slush fund for states to do what they wanted to do.

In our own state, we literally had people called diversion specialists, and it was their job to convince you when you showed up pregnant and one baby on one arm and the other at your feet that you didn't need welfare funds, that all of that profit could be used to pay bonuses. I even had an amendment that was directed at some of the vendors who administered welfare, saying you can't earn more than the governor of the state because these salaries were so lucrative. So, surprise, surprise. Here we are, what, 28 years later discovering the fraud and waste and abuse in this program. Give me a break. Really? I am offended.

So now that we are here, I am just really happy to be associated with Ms. Chu and Dr. Davis's bill. I am a cosponsor of the bill that would remedy some of these things.

Let me start out by reviewing some of the testimony of our witnesses here. I am going to start with you, Mr. Adolphsen. I read your testimony, and I was very excited. I mean, I was very stimulated to hear about how the reforms have worked, how the 13.7 million people who were dependent on AFDC cash assistance were cut in half and how the single mothers leaving welfare in the 1996 reforms entered the workforce in record numbers, boosting economic growth and leading to declines in child poverty.

And then we went on to hear about how they had higher incomes, less dependency, and these able-bodied people found work in 600 different industries, touching every corner of the economy. Families saw their incomes more than double within a year of—I mean, I got really excited. And then I started reading the footnotes, and then I got a little disappointed to realize that, like, this was, yes, 80 percent of the people in the first couple of years after TANF in the $16.5 billion where you see we are receiving some sort of support from TANF. And then I have data here—and I will ask unanimous consent to put some of these things in the record, because it really didn't square with what we know is that we have the same level of poverty. We have, you know, 80 percent of the people who qualify, people who live in deep, deep, deep poverty, not getting the benefits, people in Mississippi getting—what did you say, Mr. Dortch—$236 a month in 2024. That is the truth. These data are not updated, is not true.

I just want to go on to talk about some other things that I saw in the report. You said that—oh, and also, some of your data, the 600 industries, that is in Maine. So I want to congratulate you with whatever you did in Maine. Whatever in Maine didn't happen in Mississippi, so—just saying.

I also want to talk a little bit to you, so—and I want to know, Mr. Dortch, do you find it surprising, based on your experience as a state legislator who couldn't get any answers, that deep poverty rolls among Black and Latino children in the decade of the 1996 law creating TANF and that indeed more than half of these folks don't just live in poverty, at the poverty level, but they are, like, 50 percent of the poverty. They are living in deep, deep, deep poverty. Does that surprise you?

Mr. DORTCH. No. I think there is some correlation between the people that are hurt by the problems with TANF and the interest from the State in actually addressing those issues.

Ms. MOORE. Okay. And just let me—before my time expires, I just want to say a couple of things to our other witnesses.

Mr. Underhile, I think you would be a great peer support specialist. I wish TANF could be used so you could get that degree to do that. I think the increased earnings for your family of nine people would be something I wouldn't begrudge you.

And I am a fan of the Green Bay Packers. I want that on the record, Mr. Chairman. And I know that Brett Favre knows better than anybody that in a foul situation, it is the second player that gets the flag.

And I would yield back.

Chairman SMITH. Thank you.

Let's put on the record that I am a Kansas City Chiefs fan.

Ms. Tenney.

Ms. TENNEY. Thank you, Mr. Chairman.

And I just want to say thank you so much to our witnesses for—this has so far been a very, very interesting and insightful hearing all the way. This has been phenomenal.

And I just want to ask unanimous consent to enter into the record a report by the Department of Health and Human Services entitled "New York Did Not Have Adequate Oversight of its Reported Temporary Assistance for Needy Families Program Expenditures."

Chairman SMITH. Without objection.

Ms. TENNEY. Thank you, Mr. Chairman.

This report is so important because it highlights the need for flexibility but also the need for accountability in how taxpayer funds are being spent. And I heard—one of the most—and all of the witnesses have been great for various reasons. And I want to just say one of the most important things that was said in this hearing was by Mr. Adolphsen, and he said, Work is central to the well-being of human beings.

Thank you for saying that because the whole point of this program is a work program, a welfare-to-work program. And when you see somebody like Mr. Underhile—I hope I pronounce your name right—it is such an honor to meet you and your wife, really, really. You are a testament to the success of this program. You are someone who have been through tough times. The TANF program has given you an operation, an opportunity, you and your family, and you are a true inspiration and your wife to raise your children to do what you have done to overcome. And I echo the sentiments of Ms. Moore, you should be continuing to help other people where this program has worked.

Unfortunately, states like New York spend so much of the taxpayer dollars and are not accountable. Our own federal government has looked at New York and said that they have not adequately documented the uses. They have to prove that it is necessary, reasonable, and the allocation of these funds are used to the performance of TANF, getting people back to work.

Financial management systems weren't in place properly in New York. They didn't permit tracing of funds to see where these funds were going. And that is what we are really getting to.

I think both sides of the aisle agree, it is not people like Mr. Underhile. It is not Mr. Favre. It is the administrators of the program in Mississippi, in New York, and other places that haven't been good stewards of taxpayer money.

We agree this program works. And you, Mr. Underhile, are a beautiful example of how this program works and why we need so many other people to come out of poverty to do that.

And my own father was a poor person with eight—you know, seven brothers and a sister. They didn't have access to programs like this, but they went to work, and they understood the dignity of work and what it did to free them from some of the issues they had and to become successful human beings and wonderful parents as you and your wife talked about in the back.

I just want to first, though, say something—a little bit about what we are doing on this. And under current law, TANF does not include a requirement that federal funds be used to supplement existing state spending; that is, states can use federal TANF funds to finance activities that previously had been state and local responsibilities.

This has allowed states like New York to use these TANF funds to supplant state spending, fill budget gaps, so long as they can justify the program funded fits one of the four purposes. We know that New York wasn't able to do so this. This only encourages poorly run states to further mismanage hard-earned taxpayer dollars.

It is why I have introduced a bill called the Protect TANF Resources for Families Act. That means money is going to go to people like Mr. Underhile. It requires states to treat TANF funds as a supplement, not a substitute for existing state welfare spending. In doing so, my bill will help federal dollars go farther and have a larger impact and more people can be included.

So I want to just thank you, Mr. Adolphsen, for pointing this important thing out.

I do want to say something, though, to Mr. Favre. And I know we have had a lot of kidding aside, I am a Bills fan, so it is "Go Bills" for us, and we crushed it last night, wonderful game against the Jaguars. And I am a huge Josh Allen fan, but I was also one of your fans.

So I wanted just to ask you about the mismanagement in Mississippi and the audit by New York and ask you if you could maybe comment on the millions of needy families across the country that policymakers are trying to protect and why it is so important for us to institute this program, particularly my bill, to make sure that we have oversight and accountability in place and that these funds go to people like Mr. Underhile. If you could address that just real quickly.

Mr. FAVRE. Well, thank you.

You said it about as simple as you can say. You know, we need to get the funds to the people who absolutely need them. And our federal government, you guys, are the ones that can get that done. You know, it is sad what is happening in Mississippi not only to me but to the many children that have had to suffer because of it.

And as I said earlier, you know, I am not the smartest person in the room, and there has been a lot of things that have been tried, but the oversight has got to improve, absolutely has to improve. I think mechanisms have been in place or seemingly have been in place, but for some reason, they have failed in a lot of states. And, you know, I don't know if we need to do more programs or just clean up what we have, but oversight is certainly very important.

Ms. TENNEY. Thank you for being here today, and I really appreciate it. I know your name and your fame have brought attention to this very important issue. And we just wish you the best with your recent diagnosis.

Mr. FAVRE. Well, thank you.

Ms. TENNEY. And thank you for being here. We know it is not easy for you, and we appreciate you highlighting this really important issue.

And to all of the witnesses, I just want to say thank you again.

And thank you, Mr. Chairman, for having this great hearing. Thank you.

Chairman SMITH Mrs. Fischbach.

Mrs. FISCHBACH. Thank you, Mr. Chair.

And, you know, I just wanted to comment, Ms. Moore said she was in the legislature. I was also in the Minnesota State Legislature when we dealt with this, and I thought—you know, I didn't have a hundred amendments, probably had a couple at the time, but I thought we did a fairly good job. The problem was that over the years so much has been undone, what we did there in the late nineties but over the years has been undone.

And so I did mention I was from Minnesota, so I have to say something about it, and we really appreciated your years with Minnesota, but my staff makes me add, you know what, we don't appreciate your time with the Packers beating up on the Vikings, so——

But, in all seriousness, I genuinely appreciate all of the witnesses being here because, you know, it is important that we hear from folks, particularly Mr. Underhile, Mr. Favre, taxpayers. You have experience. You know, you understand. And so I appreciate you being here, because in the end, that was one of the things in Minnesota that we had to remember as we went through this. And while we are here, we have to remember it too is that it is taxpayer dollars that we are talking about. And so that accountability, that oversight, the requirements that we have on that is so critical.

But, Mr. Adolphsen, I just wanted to ask you, you know, there are statutory purposes for TANF. And, you know, we had a bill awhile back about pregnancy care centers, and I know there was talk about Mississippi policy, but other abortion policies. So pregnancy care centers provide so much help there, and they offer a variety of services, support for mothers, families, and fathers. And they offer counseling, ultrasounds, parenting, prenatal education, diapers, all kinds of things.

In your opinion, do those pregnancy care centers such as the ones with some of the things that I mentioned fit into one of those purposes for TANF, at least one of them?

Mr. ADOLPHSEN. Yeah. Absolutely, yeah. You know, the four objectives of TANF, to help needy children be cared for in their home, to reduce government dependency of parents, prevent out-of-wedlock pregnancies, and the creation and formation of two parent families, I think it is pretty safe to say those community-based pregnancy centers fall within that scope.

Mrs. FISCHBACH. So I feel like it is very important, you know, for those needy families, the pregnancy care centers not only provide tangible material supports, but they also offer, like you mentioned, promoting strong families and marriage.

However, you may be aware—and we had legislation last fall—the Department of Health and Human Services Office of Family Assistance Administration for Children and Families proposed a rule that could restrict States from using TANF funding for pregnancy care centers. And the Biden-Harris Administration argues that pregnancy care centers should not be eligible for that for a variety of reasons, but one of those because they only help women after they become pregnant, which to me doesn't make sense.

But, you know, how important is it that Congress exercises its authority to reform TANF through statute to provide States with clear and reliable rules for TANF instead of depending on Health & Human Services to issue regulations and guidance?

Mr. ADOLPHSEN. Thank you, Representative. Yes, it is a great question.

I think absolutely things need to be clear in statue. It is an issue. I saw that in the agency. If there is any vagueness in the law, bureaucrats will make the law, and that needs to be dealt with.

I think one of the solutions is having state legislatures sign off on these TANF plans. They need to have oversight over them and not leave it solely up to the folks in the department to make those calls.

So I think statutory clarity is good, again, just balancing with the flexibility that has been successful I think is important, but putting in guardrails so that it is all done within the lines and statue would be great.

Mrs. FISCHBACH. And I appreciate that because I think sometimes, you know, with the guidelines and the rules, I sometimes call them D.C. neat ideas. They don't understand that really—you know, they are passing a lot of these regulations and so-called guidelines, they don't really understand what is happening on the ground and the necessity and importance of what they are doing.

But I appreciate it. Thank you much.

And thank you for all of you for being here.

And with that, I yield back.

Chairman SMITH. Thank you.

Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman.

And I thank you and the ranking member for holding this hearing, and hearings are important. Don't get me wrong. It is important that we understand, you know, the factual basis for taking legislative action. I just hope that we end up taking up some action as a result of this.

There have been several references to legislation that Mr. Davis and Ms. Chu have imposed that would empower the Department of Health and Human Services to have the authority to crack down on these instances that we are hearing about right now. So let's commit to not just having a hearing and a discussion. A conversation isn't going to stop this, this problem.

And it is also true that we need to recognize the fact that TANF has been set at $16.5 billion since 1994. So in real dollars, it is not providing the kind of help that it really should and was intended to provide.

The other thing I want to point out is the focus particularly being on child poverty, the child tax credit, the enhanced child tax credit was allowed to expire, despite the objections and serious efforts by the Biden-Harris Administration, Democrats on this committee in particular, that child tax credit, that enhanced child tax credit made a real difference. And I think—I know some disparage it because it is providing direct support to these kids in the form of payments, cash payments to families. But let's not forget the affect that lifting those children out of poverty for those early years of life has on their long-term trajectory. Breaking that cycle of poverty is one of the things that the child tax credit has allowed us to do. It is a lifeline for millions of Americans, and, you know, it has been supporting in a bipartisan fashion for a long time. We ought to support getting back to that enhanced child tax credit.

In my hometown—where am I from?

Ms. MOORE of Wisconsin. Flint.

Mr. KILDEE. Flint, Michigan—I have to mention it at every opportunity. But, you know, we have done some really important work. Building on the success of the enhanced child tax credit led by my very good friend, a pediatrician by the name of Dr. Mona Hanna-Attisha—we call her Dr. Mona—she has piloted a new program that provides critical financial support to moms and babies in that very first year of life to disrupt the cycle of childhood poverty and clearly improve their long-term prospects.

This is work that is really important to the people I represent, and it is work that makes that community just a better place. Unfortunately, that child tax credit and the other supports that came with it were allowed to expire, 3.7 million people thrust back into poverty. That is not good.

So, Mr. Dortch, I wonder if you might just speak from your perspective on the urgency or on restoring the enhanced tax credit and investing in programs like the one that Dr. Mona—I am not sure if you are familiar with it, but it is called Rx Kids—how those programs ensure that those kids have a better chance, better trajectory in life and potentially break that cycle of poverty.

Mr. DORTCH. Yeah. And I think—I will start by pointing out in Mississippi that when people lose their TANF benefits, we know it is supposed to be temporary. 70 percent of them lose their benefits for something other than eligibility or income. So people aren't working their way out of poverty, they are just being kicked off because of how the rules are set up to not give them the assistance.

And you know I always—I want somebody to learn how to fish, but I don't want their families to starve while they are waiting for bait. So you can do both. You can assist people and make it—give them the skills and help them get the skills they need to get a job while also making sure they are not starving.

The program you are talking about sounds a lot like the one we have in Jackson with Magnolia Mother's Trust where they provide $1,000 to low-income moms, moms living in poverty, but they also provide one-on-one assistance. They help that person be able to move out of poverty. It is not just—it is not a one thing or the other.

Mississippi is actually choosing to do neither. So we are not giving people money, and we are not helping them get the job training they need. We are doing God knows what with the money. I mean, you know, 4 years ago we know what we were doing with the money. We were spending it on horse ranches, paying Mr. Favre here to make appearances at events, you know.

The other thing that I think about is if someone in Mississippi is accused of doing something—accused of misspending $50 in SNAP benefits, that person's life will be turned upside down. Mr. Favre is right here, and he is accused of misspending a million dollars, and he is speaking before Congress. Something is wrong when we let that stay in place. And for 4 years in Mississippi—I know Mississippi might be the extreme, but the people in Mississippi still need the assistance. So if the system allows what happened in Mississippi to take place, it definitely needs reform.

Mr. KILDEE. Thank you, Mr. Dortch I particularly appreciate you giving that final point. We have to hold everybody to the same standard, and it is sometimes distressing to see that that is not taking place.

With that, I thank the chairman for the additional time. And I yield back.

Chairman SMITH. Thank you.

Mrs. Steel.

Mrs. STEEL. Thank you, Mr. Chairman Smith and Ranking Member Neal, for hosting this hearing on how funds are being used to target families in need, connect people to work, and improve accountability.

I just want to go to Mr. Dortch that, you know, you said that some of the requirements to apply, that it is actually preventing them from applying because they might use drugs. And do you think those people that—this TANF program is helping these poor families get back to work. Those people who are using drugs, do you think that they are going to get back to work and get out of poverty? And what kind of requirement do we really need?

Because in California we have a lot of homeless people, and then we try to put them into the shelter and clean them up and then make sure that they get back to work. But you know what, a lot of people that face drinking and smoking and, you know, using drugs, they don't want to go back. And it is the problem right now that we have.

So what kind of requirements are you talking about? And, you know, I barely listened to you, just only for that part, so can you elaborate for that?

Mr. DORTCH. Yes. Mississippi has drug testing requirements for anybody applying for TANF. Those requirements are in place to essentially punish those folks if they have that in their system. But, you know, we live in a real world where we know that there is drug use and that people that are using drugs, they are the people that we should be trying to assist and not telling not to come to our agency. We have got people that need help finding their way out of drug problems, I mean.

And then when you look at what happened in Mississippi, we spent thousands of dollars sending someone to drug rehab through Families First, but we don't allow people that smoke marijuana to be able to qualify for TANF benefits.

Mrs. STEEL. But I really don't believe that those people still—I mean, going to rehab and trying to make sure that they clean them up and then they apply it, I think that is going to make real sense, because this is the government taxpayers' money trying to make them get back to work.

But you know what, I am going to go back to Mr. Adolphsen because in California we have a lot of problems. In your testimony you provided the example of how California has redirected more than $1 billion per year in federal TANF funds to pay for college grants. It is mostly like nearly 650,000 college grants. This is not the families that they really need to help. And then, you know, they cannot really escape the poverty because they don't need these college funds.

As you stated, California's Joint Legislature Budget Committee blankly refers to this scheme as the funds swap and funds shift commingling the funds whereby the state used TANF funds to replace general funds expenses.

So could you please elaborate for how to stop more about how California is spending TANF grants so that middle class families can go to college, not those families that are in poverty? And then California puts TANF funds into the general fund and how Sacramento is basically steadily sending nonassistance funds to cover other budget costs and things they want to spend in. We really have a problem because this is for families in poverty. They really need money to get back to work.

But, you know what, California is not actually following those rules, and they are just commingling all of the funds, and it goes straight into the general fund.

How are we going to stop this?

Mr. ADOLPHSEN. Thank you, Representative.

Yeah, there is a real issue there. And I mentioned earlier, California State government isn't doing its job either. They need a work requirement because they are not engaging participants in TANF in helping them get back on their feet, and that is why they failed their work participation rate for 15 years. That isn't the fault of the people who need the help. It is the fault of State government who is failing them, and we need to make sure and hold the State accountable for helping people like they are supposed to through this program.

I think there has been bills introduced by this committee. And, interestingly enough, you know, part of the rule posed by the Biden-Harris Administration is to cap at 200 percent receipt of nonassistance. That would take care of the billion dollars California is using to backfill their general fund, which they need because they are, you know, $70 billion in the hole giving Medicaid away to illegal immigrants.

Mrs. STEEL. Well, yeah. They took $332 billion from insurance interest programs, relief program during the COVID, so we really have a problem. But we had in California a $92 billion surplus two years ago, and now suddenly we have a $70 billion deficit. So if we do exactly opposite of what California does, I think we are going to be successful.

Thank you, Mr. Chairman. And I yield back.

Chairman SMITH. Thank you.

Mr. Steube.

Mr. STEUBE. Thank you, Mr. Chairman.

As we got in today to discuss the Temporary Assistance for Needy Families program, it is essential that we start by asking the fundamental question. Is this a government program truly helping American families to escape poverty or has it become just another wasteful government initiative riddled with inefficiency, fraud, and abuse?

Already in this hearing we have heard many examples of shockingly inappropriate uses of federal taxpayer dollars. This is important. This is not one state wasting their own money. This hearing is about states wasting our federal dollars.

The responsibility to safeguard the integrity of federal dollars is the federal government. But if we have these extremely large and vague programs sending money to questionable nonprofits that we don't know the names of, we cannot be good stewards of taxpayer dollars.

Let's be clear, waste, fraud, and abuse in TANF are not just isolated instances. They are widespread. Countless federal taxpayer dollars intended for struggling families have been misused, misspent, or misallocated. Fraudulent claims, misuse of funds, and lack of oversight are rampant.

The federal government was never meant to be in the business of long-term welfare. Our Founding Fathers understood that a centralized federal government would be inefficient in addressing the unique needs of local communities. Yet with TANF and other similar welfare programs, we have allowed bad actors across the country to take advantage of our federal dollars in the name of allowing states and localities to handle their own welfare systems.

I will start with Mr. Favre, a question to you. As you mentioned in your remarks, it has come to our attention that the state of Mississippi is using TANF funds to pay private lawyers for this ongoing litigation. I have some questions about the legality of using TANF for these funds. To me it is still diversion of funds and just adding insult to injury.

Do you know if the state is doing this and whether they have been able to provide an explanation for that?

Mr. FAVRE. That is—my interpretation is that they are being paid with TANF funds, and I am not privy to any explanation.

Mr. STEUBE. How confident are you that the state of Mississippi is using TANF funds for lawful purposes and that guardrails are in place to protect the funds?

Mr. FAVRE. At this point, I am not sure.

Mr. STEUBE. How does a nonprofit or individual that abuses TANF funds earn back the trust of its community? Can it take back the trust of local, state, and federal government?

Mr. FAVRE. I think that will take some time and hard work. It is as simple as that.

Mr. STEUBE. Okay. Thank you.

Mr. Adolphsen, in my remaining time, is there answers to those questions that you would like to expand upon?

Mr. ADOLPHSEN. Sure. Thank you, Representative.

I think just on the last question, all that was discussed today about guardrails and oversight, that is going to help on the receiving side too, on the nonprofits or other groups that end up receiving TANF to provide services. The checks and balances help them because sometimes with all the commingling of the funds and the grants that come down, they aren't clear on the rules either. And I think shoring that up and putting those guardrails in place will help and clearly restore some trust as well along the way.

Mr. STEUBE. Do you think that a lot of these functions of TANF would be better suited at the state level in state programs instead of a large federal bureaucracy?

Mr. ADOLPHSEN. Yeah, absolutely. You know, the closer—I think anytime we are administering aid, the closer you can get to the person receiving the aid, the better. And I have seen that, you know, work on the ground. The person who is sitting across from them finding out what are their barriers to work, what is—you know, what do they need to overcome, what kind of support do they need, that is really the person who knows how that—how we can turn that into a successful example, like the one we have here today.

And so we want to get the decision-making about how to help the person as close to that as we can. But we also need those boundaries, those hard-level guardrails and oversight to make sure they don't stray.

Mr. STEUBE. So I represent a district in Florida, and in Florida I served in the state legislature, and you have programs that help needy families. So if I am hearing you right, it would be beneficial if there are pieces of TANF that we think as a body would be better served at your local, state, and community levels to be able to effectuate those programs and ensure that fraud and abuse and those types of things aren't going on, is that something that you think you would support that kind of change?

Mr. ADOLPHSEN. Yeah. I think that the state level is the right place to operate these programs. However, if the federal government is paying for them, there needs to be proper oversight in place to manage that.

Mr. STEUBE. Thank you for your time.

I yield back.

Ms. TENNEY [presiding]. The gentleman yields.

The chair recognizes the gentleman from California, Mr. Panetta.

Mr. PANETTA. Thank you, Madam Chair.

And thank you to Chairman Smith and Ranking Member Neal for this hearing.

And, gentlemen, thanks to all of you for taking the time today to be here and not just sit through this hearing but provide meaningful information that, hopefully, we can use to ensure that we provide the solutions that are necessary for the issues that we are hearing about.

Look, I think we can all agree and you are kind of sensing the bipartisan support for TANF, but I think it is based on the fact that nothing should unite us more than the well-being of our children. And outside of the Child Tax Credit, the TANF program is the largest source of cash assistance to low-income families in the United States.

Nationwide, nearly 70 percent of TANF recipients are children, and in my home state of California, the TANF program serves more than 605,000 children and nearly 307,000 families. Under CalWORKS, the program responsible for allocating TANF, the average grant under CalWORKS—under that program was just over $1,000 a month. Now, for families in need, that can be the difference between paying bills, losing a home, or clearly putting food on the table.

The TANF program not only makes a difference for household expenses, but it really can permanently lift people out of poverty like we have heard today. Moreover, due to the flexibility in TANF on how to use Federal dollars, CalWORKS put nearly $1.28 billion into employment services in the 2022–2023 fiscal year.

Unfortunately, though, as we have heard today, this flexibility has allowed bad actors to abuse the system, and that is why we still have to—we have got some work to do—I think we can all agree to that—to address the fraud in TANF while preserving, though—preserving and expanding these critical programs to serve our neediest constituents.

Now, Mr. Underhile, in your testimony, you talked about the impact of the Missouri Excel Center SkillUP program and the impact it had on helping you turn your life around. Looking forward, if you were designing a job training program to help other people in your position, is there anything you would do differently?

Mr. UNDERHILE. I would make job training the focus of it, the transportation, and not put limits on who is qualified. I know certain people that I went to school with that needed the SkillUP program for assistance didn't qualify because they were a single male with no kids. So they didn't qualify for transportation money. They didn't qualify for anything, honestly.

I think that training people to work and getting them back to work—I mean, welfare wasn't ever meant to be a career choice. And, honestly, if you don't care enough about yourself and your family to want to get out of that, then you don't deserve the funds to begin with.

Mr. PANETTA. Understood. Understood.

Mr. Dortch, you talk about the considerable resources Mississippi has put into fraud prevention, and it sounds like you see this as taking away from the people TANF is meant to serve, at least is my understanding.

How much of this fraud is driven by individual TANF recipients, and how much do you see it as at the institutional level, like organizations misusing funds and if there were certain guardrails that Congress could put in place to let states like California keep their flexibility in the TANF programs it administers while continuing to prevent abuse and misuse of funds?

Mr. DORTCH. Yeah. So Mississippi—when I was in the legislature, we passed something called the HOPE Act. This bill required agencies like DHS to put in place additional income verifications and have the contract with a third-party vendor to do those income verifications.

So the current state director of the agency over TANF has asked the legislature for, like, 40 years now to repeal that act because he said it is wasteful, these are redundant policies, they are paying for nothing, and it is costing the State money. It is costing the state TANF money, and we are doubling- and triple-checking people when there are systems in place already for that.

So, because of politics, even though this Republican-appointed director of DHS has asked for this, the legislature is still keeping it in place. I mean, there was no point in having it when it passed, but to have the evidence come from the state that it is actually hurting them—and it may end up costing them SNAP benefits because of all the high error rate that it is causing, and the legislature just shrugs and says, well, we will keep it in there because we are going to be hard on welfare benefits.

Mr. PANETTA. Okay. Thank you. Thanks to all the gentlemen. I yield back.

Chairman SMITH [presiding]. Thank you.

Ms. Beth Van Duyne.

Ms. VAN DUYNE. Thank you very much, Mr. Chairman.

You know, state programs funded by TANF non-assistance dollars are designed to help countless Americans rise out of poverty through programs providing work support, education, training, reducing dependency on government. States are given significant flexibility when determining how to allocate these dollars, allowing programs to be tailored to meet each state's needs.

For example, Texas has provided funding to more than 20 different programs supporting thousands of individuals through access to opportunities such as adult education and literacy and after-school programs.

When TANF funds are utilized the way that they were intended, we have seen incredible success stories from those who have filled education gaps, benefited from specialized training programs, and received childcare assistance. However, the drop in welfare caseloads and the dramatic shift in spending from direct benefits to non-assistance programs has also allowed an unprecedented amount of fraud and waste, as we have recently seen in Mississippi.

It is vital that we maintain TANF's flexibility while implementing necessary safeguards to ensure tax dollars are spent responsibly and benefit those that are most vulnerable. It is also important that we don't forget that our aim here is not to arbitrarily strip benefits from those in need but to encourage Americans to achieve success and self-worth.

We have heard Republican states don't spend enough on basic assistance or the benefits they do spend are small in comparison, but I want to add that there is some context to this. It is based currently on—TANF funding is not allocated to states based on poverty. Let me repeat that. The way that it is allocated right now is not based on need. Instead, states are allocated TANF dollars based on what they received in 1996, nearly 30 years ago, not the number of children and families below the poverty level today. And, as a result of population changes, Republican States get significantly less money in TANF allocation than Democrat states.

For example, in my home state of Texas, we receive $318 for every child in poverty, the lowest proportional TANF grant in the country. Meanwhile, New York receives nearly $3,000 in TANF funding per child. So any conversation about Republican states not providing enough basic assistance needs to recognize that this is a very important fact that Republican states are getting significantly less dollars per family in poverty than our Democrat peers.

Mr. Underhile, I want to commend you. I really appreciate your comment that welfare was never meant to be a career choice. It was very succinctly said. As you have heard, we are not all succinct in our comments, and it was a very powerful statement. I appreciate you coming and sharing your experience with this program with us today.

Mr. Favre, I appreciate the fact that you are here as well. It seems almost as if you are a victim of your own celebrity in this. Not everybody knows what these funds are used for or where the grant dollars come from. I really appreciate you coming and sharing your story.

I am interested, though, because I saw some of the headlines that had come out. Were you contacted by anybody else that had felt like they had been kind of abused of this? Or what has been the response that you have gotten, and why did you feel it was necessary to come today and share your story?

Mr. FAVRE. Well, thanks for asking.

No, I haven't heard from really anyone else. Coming here, as I said earlier, is twofold: So it doesn't happen to someone else, what has happened to me, but also we get the funding to who needs it and it is used as it is supposed to.

I had no idea what I was getting into. I was only trying to do something good, and by no means did the term TANF or welfare ever—was ever mentioned until after the fact, and that needs to change. And so, I mean, it has been a rough 3 to 4 years.

You know, people in Wisconsin and Mississippi, I think, for many years, maybe—I can't say they necessarily liked me, but they appreciated the way I played and so on and so forth, but after—and really across the country. Whether you are a fan or not, I was well received pretty much anywhere I went. That changed, understandably so. The fact that I was branded as a person who stole welfare money, that is the lowest of low, and it couldn't be further from the truth. So I don't wish this upon my worst enemy.

And, hopefully, as I said, we can get the money where it needs to go, we can get better at oversight, and this doesn't happen to someone like myself in the future who is trying to do something good.

Ms. VAN DUYNE. Well, I appreciate the fact that you had the integrity to return the dollars and to make sure that your name is cleared. I really appreciate your testimony here today.

Mr. FAVRE. Thank you.

Ms. VAN DUYNE. Thank you to all the witnesses, and I yield back.

Chairman SMITH. Mr. Moore.

Mr. MOORE of Utah. Thank you, Chairman Smith, for holding this very important hearing.

And it is actually—one of the most important things we can do from this hearing is highlight what in the world is TANF because far too people—far too few—no one in our country knows what this is, and it has been a significant portion of our budget for many years. Look, I am going to—I would love to jump right into it.

Mr. Favre, you know, as former quarterbacks, you and I—we have so much in common. You are a Hall of Fame quarterback, and I am a red-shirt freshman from Utah State. You are a Super Bowl champion. I led a late fourth quarter comeback for the Snow College Badgers against Pima Community College back in circa 2001. These are all well documented. I am sure you have heard of them.

And we are both predecessors to what we hope to be—me at Utah State and you at Green Bay—to one of the best Packers to ever play the game in Jordan Love. Obviously, you are everybody's favorite Packer, but we hope Jordan Love has an incredible trajectory going forward as he is from—played in my home state.

But, on a serious note, the other thing we have in common is that you and I want to make sure that TANF dollars are spent responsibly and that they are done for the purpose of what they are supposed to do.

You talked to me before the hearing and then you have mentioned it here. You had no idea what TANF was. This is my biggest frustration with anything that we deal with from our mandatory side of the budget. We have a mandatory budget, otherwise known as direct side, and then a discretionary budget, our appropriations bills. And those bills get voted on every single year, and they are able to sustain a small one to three to sometimes four percent growth rate.

But these other programs that we—they are intended to do the right thing, they are enacted, and then for decades, we don't touch them. Is it any wonder that, A, no one knows about them, and, B, they have all of these wrongdoings?

And we talked a lot about the Mississippi situation that you didn't even know you were a part of. We have got several other states that have all gone through major, major improper payment at a minimum, fraud gets involved in all of this stuff, and it is no wonder. It is because we, as Members of Congress, are not able to vote on this stuff on an annual basis. It is my biggest frustration.

I don't want to make you regurgitate everything, but I do want to just highlight—and let me say, my heart goes out to you and your family for your diagnosis. It is catching some media that you have announced this morning you have been diagnosed with Parkinson's. My heart goes out to you. I think you will continue to be an inspiration to people in numerous walks of life because you have been to our—you know, the sports world at first and then just trying to do good. And you get caught up in stuff, but you are here, and you are trying to make awareness on something that needs to be——

So, outside of the awareness issue that you are providing today and the general—you mentioned, you know, there needs to be more accountability and more guardrails. Let me just throw out one more thing. We have a bill—we have introduced a bill. It is called the Restoring Temporary to TANF Act. Temporary Assistance for Needy Families. We want to make it as temporary as possible.

Mr. Underhile, you mentioned it. As the ranking member points out, this needs to be a bounceback. You need to be able to take advantage of this program and get yourself back up on your feet.

Any thoughts to the importance of workforce? This would actually require 25 percent of these dollars to be set aside for work activities, getting people the job skills that they need to be able to get out on their own again. Any thoughts to how—would that be something that fits into your realm of what you envision for this program going forward?

Mr. FAVRE. Yeah. And listening to everyone up here today, jobs seems to be the same theme, and I agree. There is nothing better than doing a job, whether it be at your own house or at work and feeling confident of the job that you have done, and it pays. So it is twofold. It makes you feel good about yourself, but it also pays you a salary. So I think it definitely is a big part of success or lack thereof.

Mr. MOORE of Utah. It is part of how we want to make this program a very productive program. We need a chance to roll up our sleeves and deal with this legislation and not just let it go on autopilot for years and years and years until more improper payments and other bad activity takes place.

It is an honor to meet you, sir.

Thank you to the other witnesses today. We appreciate your stories, and I look forward to hopefully working together on this in the future.

Chairman, I yield back.

Chairman SMITH. Mr. Schneider.

Mr. SCHNEIDER. Thank you, Mr. Chairman.

And I want to thank our witnesses for your patience staying here.

As it was just touched on, Mr. Favre, I am sorry to hear about your diagnosis of Parkinson's. I actually lost my uncle a year ago today. He had a 35-year battle with Parkinson's. I know the impact it has on a family. If he was still alive, he would have been thrilled to meet you. He was a huge sports fan.

And, Mr. Underhile, I want to thank you for your courage to come and share your story with us. A truly inspiring story. You talked about the challenges you faced and overcame, but you also laid out very clearly that, with a hand-up and people saying we have got your back, you are on a path to chart your own new course.

And I think that, as we talked about, is the whole purpose of why we do programs like TANF, Temporary Assistance for Needy Families, to help someone who is down on their luck or whatever the circumstances may be to get back on their feet and to succeed.

And that is why I am frustrated that, as we are wrapping up September—a less-than-productive September here in Congress after almost two years of less than productive—on this committee, a less-than-productive two years, we have had no hearings in this committee on childcare, we have had no hearings in this committee on paid family medical leave, no hearings on the Earned Income

Tax Credit, on the programs that can actually make a difference in people's lives and help us.

I think we do have common ground across both sides of the aisle here of wanting to help lift up people. We recognize that, especially with TANF, there is a lack of oversight, and we need to be implementing oversight to ensure that we don't have stories like we have heard today.

Mr. Dortch, if I turn to you. I know it is not news that, in Mississippi, one of four—or only four out of every 100 families living in poverty receive any assistance—cash assistance from TANF. Making matters worse, in 2020, a state audit shed light on the horrifying intentional malfeasance in the state TANF program, alleging that tens of millions of dollars were spent in questionable ways, something that we should not accept or tolerate in any way.

Congress took a critical step toward investing in families and caregiving when we provided the Economic Impact Payment stimulus in 2020 during the pandemic when we passed the American Rescue Plan in March of 2021. In fact, ARPA, the American Rescue Plan, strengthened income support for families by temporarily expanding the 2021 Child Tax Credit, significantly investing in childcare. And, as was mentioned earlier, that investment in the short period of a single year cut child poverty in this country by nearly a half.

Mr. Dortch, given your expertise, what are the best uses you see of TANF funds that will alleviate poverty, and how can Congress work to ensure that those funds are reaching the people who will benefit them and not being redirected or misdirected to folks who have no need or no use for these funds other than enriching themselves?

Mr. DORTCH. I really think having the cash resources to be able to survive is important. Putting wraparound services with that is also important.

But let's remember, in Mississippi, when the Child Tax Credit happened, our income—our State income levels went up. Our economy went up. Our tax revenue went up. This is because people in Mississippi who never had disposable income actually had disposable income, and that disposable income stays in the community.

In counties that don't have jobs, they will eventually have jobs if you have people that can actually spend at a grocery store. We have pockets of our State where there are no grocery stores and people have to drive 30, 40 minutes to be able to shop.

This isn't just about, you know, giving someone a check. It is about investing in people that don't have the resources to be able to lift themselves up because of the nature of our State and the nature of our economy. Our State is different than others, but the fact that we are not even trying to address some of these issues is heartbreaking to me.

Mr. SCHNEIDER. Thank you. I am going to steal back my time just to close.

A great rabbi, Maimonides, created a hierarchy of charity, of helping others. The worst is to do it reluctantly. The best, the highest way to help someone, is to teach that person the skills and give them the resources to get a job, to take care of themselves, and take care of their family.

Mr. Underhile, you touched on that in your comments, and I want to thank you again for that. What we should be doing is making sure every single dollar we commit to invest in families and invest in children gets to the people who need it and it is not redirected for other reasons.

With that, I yield back.

Chairman Smith. Thank you. We have 374—votes have been called. We have 374 people that have not voted. We are going to try to see how far we can go.

Mr. Feenstra.

Mr. FEENSTRA. Thank you, Mr. Chair.

Thank you to each one of our witnesses for coming and your testimony.

You know, TANF gives states the flexibility to determine how they will help struggling Americans get back on their feet. The flexibility is a powerful tool that TANF has, allowing programs to be catered to the unique challenges of each state.

In Iowa, TANF funds are used for family investment programs to provide direct assistance to families, but it also has a program called PROMISE JOBS that helps them find a job so they no longer need to be on assistance and so they have a purpose.

I have three great stories. A 29-year-old father who got a commercial driver's license now is a trucker that got off TANF. A 25-year-old single mother who supports her children now does not have to be on TANF. And, finally, a 33-year-old, a mother who had a criminal record but was connected through PROMISE JOBS and found now a great-paying career to support her two children.

Mr. Underhile, you have an amazing story, just like the three stories I have noted, and I am very proud of what you have done to turn around your life and have a purpose with this position you have.

Just like Iowa's PROMISE JOBS program, Missouri has SkillUP program, which is awesome. And a lot of these programs just like you are in have a component called peer mentors so that they can share common experience and trust while you are working through the real difficult challenges.

Can you share—you are now a peer support specialist. Thank you for doing that. Can you talk a little bit about that and why it is so important that we need peer specialists in these positions?

Mr. UNDERHILE. You need somebody sometimes just to talk to, somebody that is relatable, somebody that has been through what you have been through. It is hard to open up and talk to people that you don't relate with, and having that support system just increases your chances, honestly.

And with the education like the Excel Centers that are in Missouri—I don't know if any other States have them—but to be able to go back to school as an adult and get your high school diploma and it not cost you anything and have the assistance there to get you back in the workforce and educate you, why can we not support that more than we are?

Mr. FEENSTRA. Absolutely. I thank you for that. You know, like you said, with peer mentors, if we can work alongside somebody and make sure they are successful, you know, that is what this is all about. We want them to be off TANF and to have great careers and be successful and have a purpose in life.

So I found it interesting. You said that you found SkillUP on Facebook, and that scared me a little bit. Like, okay, why aren't we pushing this out a little more? Can you explain that just a little bit? You know, what should we do to promote these different programs like Iowa has with PROMISE JOBS? You have SkillUP. I mean, to me, this is the difference maker.

Mr. UNDERHILE. Absolutely. I think marketing and getting this out there is—I don't know why we are not doing more. We should be doing everything we can. There are a lot of people that have no idea the opportunities that are out there.

Mr. FEENSTRA. Exactly right. Thank you.

Mr. Adolphsen, you pointed out in your testimony that, of 31 billion of TANF funds that went out in 2022, only 2.5 billion went to jobs, training, and education such as PROMISE JOBS and SkillUP. Can we talk about this? Should we expand these dollars? How do we make it more important that we try to figure out jobs and opportunities instead of everyone just staying on TANF?

Mr. ADOLPHSEN. Great question. Unfortunately, "if you build it, they will come" doesn't work here. You have to go find those people. We have the money. This program has the money. We are looking at these unobligated balances.

You talked about promoting those great programs you have in Iowa that are working well. We need to get people that are coming in the door for every welfare program. Food stamps, Medicaid—those programs have grown by tens of millions since TANF was instituted, and the objective is to reduce government dependency, not just TANF dependency.

And so that is the place we need to capture those folks, bring them in, and get them in these good programs.

Mr. FEENSTRA. You nailed it. Absolutely. We want to get them off subsidies. We want them to have great jobs. And we can do that, but we have got to find them and make sure that the programs work for them. But, to me, it is the states' job and whatever we can do.

Thank you for your testimony, and I yield back.

Chairman SMITH. Mr. Gomez.

Mr. GOMEZ. Thank you, Mr. Chairman.

I will be honest. I was a little confused when we announced that we were going to have this hearing, and that is just because of the fact that my Republican colleagues haven't really talked about how to help working families since I have been back on the committee.

Here, let me throw out a question out there. What is the number one state with the highest maternal mortality rate in the country? Mississippi, right? There are programs out there that can have a profound impact on poverty in Mississippi, on lifting up people, reducing the maternal mortality rate. One of them is expanding Medicaid in those states.

It is not surprising that most of the states with the highest maternal mortality rates in this country are the same states that haven't expanded Medicaid. It is something that that state could do right away. But we haven't had a hearing on that, how the Affordable Care Act has cut maternal mortality in this country with the states that actually implemented it, but then we are having a hearing on TANF and fraud.

You know what? Fraud has no place in any program. And the reason why I care about that—it is not only because it is protecting the tax dollars, but because it undermines the public's confidence that a program actually helps the people that it is intended to help.

The American people, I believe, have a big heart. They want to help folks when they are the most in need and especially make sure that they have an opportunity to succeed. I mean, that is what makes this—I think this country great. It is that caring for one another. I care about what happens to folks in Mississippi because those are my brothers and sisters as much as the people in my congressional district in Los Angeles. Any kind of poverty in this country is an affront to our values.

So I do believe we have to do something about TANF. That is why I join my colleagues, Representative Davis and Chu, in introducing the TANF State Expenditure Integrity Act, and this bill would establish a TANF program and target a unit at Health and Human Services to prevent and root out potential misuse of federal funds by state governments.

But my worry about this hearing, it is not really about—people will use it as an excuse to add more barriers to preventing people from actually getting the help that they need. We have seen it before. You know, that system is broken. Let's change it.

I knew about TANF back in 1997 when I was actually a college student and I was interning for a Republican county supervisor in Woodside, California when it was switching over. And it was—back then, it was about how do you kind of make these programs work better?

But this program used to serve 80 percent of needy families three decades ago. Today, it just serves about 20. Does that sound like it is an effective program? Why aren't we looking at it like, hmm? But why is it, right? And I don't think it is—and I think it is because a lot of the extra requirements in some states that are making it impossible for people to use.

Mr. Dortch, can you talk about some of the barriers like upfront job search requirements that families face in accessing TANF programs?

Mr. DORTCH. Sure. And that is one of the most striking requirements that prevent people from being able to access the program. And we are not just talking about cash assistance. We are talking about everything from the wraparound services that folks need.

When poverty has been so criminalized in our State, people don't want to come to a place where they feel like they are going to be the subject of some type of investigation. I mean, after the TANF fraud, we literally passed a bill to allow the State auditor to audit the tax returns of people that receive these benefits even though there was no necessary reason for it. People don't want to feel like they are going to be looked at as a criminal when they come to something.

So, when we talk about people not accessing, not coming in, not knowing what TANF does, in our State, it is not a friendly place for you to go to. You don't feel like that is somewhere you need to check in to see if those resources are available.

Mr. GOMEZ. And that is kind of a great point, is that, if we add extra barriers, it makes it difficult. One of the greatest successes we have had—we talked about it—is the enhanced Child Tax Credit that cut child poverty by 50 percent—actually, 40 to 60 percent depending on the community—and it is because it had—it got the money out quick, it got it to the people who needed it, and there were appropriate checks to make sure that those people actually were supposed to get that money, right?

If we want to look at programs that succeed and how to make it work, especially for poor working-class folks, let's do it. But to kind of, like, single—to do TANF and to say that we care about working people, I am not sure if that really passes the smell test.

I am willing to work with my colleagues on the other side of the aisle. We have some good ideas on ours. Let's get together and have the conversation on how to move forward. Thanks.

Chairman SMITH. Mr. Carey.

Mr. CAREY. I want to thank the chairman and I want to thank the witnesses.

First, unlike most federal programs, TANF does not have the obligation or spending deadlines for the funds. In fact, according to GAO, the amount of unspent TANF funds has more than doubled from $4 billion to $9 billion since 2015, and in 2022, 45 states and the District of Columbia had unspent TANF funds. This is a shame, as Congress appropriates the money to help needy families.

And that is why earlier this year I introduced the Improve Transparency and Stability for Families and Children Act or H.R. 7410. This bill would ensure that states aren't sitting on unused TANF fund year by year by establishing a two-year period for obligating the funds for an additional year to spend each fiscal year with a grand award.

Now, I have a lot of questions for you, but we do have to go vote.

And, with that, Mr. Chairman, I yield back.

Chairman SMITH. Mr. Horsford.

Mr. HORSFORD. Thank you, Mr. Chairman, and to the ranking member for holding this hearing. I will attempt to be brief as well.

Mr. Favre, I want to thank you for your courage and bravery in sharing your diagnosis today, and all the best to you and your family. And for those suffering with this as well, making sure that they also have the resources and the providers to receive the care that they should.

You know, what is interesting, also, about this hearing is the fact that—I am from Nevada. I ran one of the largest job training programs in Nevada before I came to Congress. In fact, we were one of the leading providers for workforce training to move people from welfare to work.

But the question is, what kind of work? And, unfortunately, today in America, six million workers make as little as $2.13 an hour because of a subminimum wage that they are paid, particularly tipped workers. It is under the law that they are paid as little as $2.13 an hour, and this is really a Jim Crow-era policy.

It is why I have introduced a bill called the TIPS Act to eliminate that subminimum wage, to raise the wage, and to eliminate the income tax on tips because that also can't cover the cost of rent, childcare, and utilities.

But, since its inception in the 1990s, Nevada has historically received limited levels of federal TANF funding due to historically low state investment in its predecessor, the Aid to Families With Dependent Children program. In fact, according to analysis from the Center on Budget and Policy Priorities, Nevada has only raised the maximum monthly TANF payment by $40 for a single-parent household over the past 30 years. When adjusted for inflation, this modest increase actually translates to a 40 percent reduction in the real value of direct assistance to families.

Recognizing the impact of direct assistance, last Congress, we worked hard to expand and enhance the Child Tax Credit through the passage of the American Rescue Plan. In my state alone, approximately 353,000 families received $449 per month, and 40,000 of Nevada's children were lifted from poverty into the middle class thanks to that Child Tax Credit.

So, Mr. Dortch, in your experience, what are the tangible benefits of expanding access to cash assistance to working families, and how could this be an effective complement to expanding access to affordable childcare, healthcare, and housing?

Mr. DORTCH. I think what you saw in our State is that that improved our economy. That created more jobs. That allowed people to have increased income to be able to spend money in their community.

As you mentioned, jobs in itself is not just the answer if you are in a place where there aren't any jobs. And there are so many places where the vast majority of people are working in service jobs that pay low hourly wages, and there aren't plants or manufacturing jobs in most parts of our State. So these are jobs that depend on money circulating in the community. And we don't have those jobs because you have so many people that don't have disposable income to be able to purchase anything more than what is necessary. In a lot of cases, not even that.

So we saw an increase in incomes in our State and we saw an increase in tax revenue in our State. I think our State economists have acknowledged this. Our political leaders have not. They just say our economy has been great because it has been great, although, you know, if you step out of Mississippi, the economy is terrible everywhere else.

But, in Mississippi, we have benefited from those investments because it added to the revenue moving through Mississippi.

Mr. HORSFORD. Well, I just hope that we would look at some of the best practices of policy that works, and the Child Tax Credit works in lifting children and families with children out of poverty.

And we also need to look at jobs that pay poverty wages, and $2.13, to me, is a poverty wage in 2024. You cannot pay the rent. You cannot cover childcare. You can't buy groceries and utilities on $2.13 an hour. So, if we are serious about addressing inequities, then I hope my colleagues would join with me in moving forward the TIPS Act.

With that, I yield back.

Chairman SMITH. Thanks.

I would like to thank our witnesses, again, for appearing before us today.

Please be advised that Members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be part of the formal hearing record.

With that, the committee stands adjourned.

[Whereupon, at 1:57 p.m., the committee was adjourned.]

PUBLIC SUBMISSIONS FOR THE RECORD

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

NEW YORK DID NOT HAVE ADEQUATE OVERSIGHT OF ITS REPORTED TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM EXPENDITURES

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Amy J. Frontz
Deputy Inspector General
for Audit Services

May 2021
A-02-17-02005

Office of Inspector General

https://oig.hhs.gov

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief
Date: May 2021
Report No. A-02-17-02005

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

New York Did Not Have Adequate Oversight of Its Reported Temporary Assistance for Needy Families Program Expenditures

Why OIG Did This Audit

The Temporary Assistance for Needy Families (TANF) program provides grants to States to help low-income families with financial assistance and support for work-related activities, child care, and other services. As a condition of receiving Federal TANF funds, States are required to spend a certain amount of their own funds (known as State maintenance-of-effort (MOE) funds) on TANF-allowable expenditures. Effective fiscal year (FY) 2015, States must use a revised form to report their TANF and MOE expenditures quarterly to the Administration for Children and Families (ACF). Therefore, we decided to review States' compliance with the revised TANF reporting requirements. We audited New York's compliance because a prior OIG audit of TANF Basic Assistance payments in New York identified significant areas of noncompliance with Federal requirements.

Our objective was to determine whether New York ensured that its TANF and MOE expenditures reported to ACF met Federal requirements.

How OIG Did This Audit

Our audit covered $4.8 billion in reported TANF and MOE funds expended by New York during FY 2016. We reviewed these expenditures and traced them to summary worksheets. We also reviewed selected expenditures from two local districts for supporting documentation for the quarter ending September 30, 2016.

What OIG Found

New York's oversight did not ensure that its reported TANF and MOE expenditures met Federal requirements. Specifically, although New York timely submitted required expenditure reports to ACF, except for certain State tax credits, it did not ensure the accuracy of the other expenditures reported to ACF. Rather, New York relied on its local districts and TANF-funded State programs to compile and maintain supporting documentation for its reported expenditures and did not review the documentation.

As a result, New York could not ensure that its reported TANF program expenditures for FY 2016, totaling $4.8 billion in TANF and MOE expenditures, met Federal requirements and were used in accordance with the intended purposes of its TANF grant. Inaccurate reporting of TANF program expenditures could negatively impact ACF's program decision making related to how States use their TANF and MOE funds.

What OIG Recommends and New York Comments

We recommend that New York: (1) work with its local districts and TANF-funded State programs to develop financial management procedures that would enable it to determine if TANF and MOE expenditures are accurately reported to ACF, including the $4.8 billion in TANF and MOE expenditures reported for FY 2016; and (2) improve its oversight of the TANF program by providing additional guidance and training to ensure that its local districts accurately report expenditures and maintain adequate documentation to support TANF and MOE expenditures reported.

New York agreed with our recommendations and stated that the recommendations are its currently established practices. New York stated that it will continue to pursue ways to further strengthen its oversight of the TANF program. New York also stated that the title of the report is misleading and unfairly mischaracterizes its existing oversight and monitoring policies and practices. We maintain that our report title, findings and recommendations are valid. We acknowledge New York's comments about its robust TANF program monitoring function and efforts made to strengthen its oversight of the program. However, we determined that New York did not have adequate oversight during our audit period to ensure that its reported TANF program expenditures met Federal requirements.

The full report can be found at https://oig.hhs.gov/oas/reports/region2/21702005.asp.

TABLE OF CONTENTS

INTRODUCTION 1

Why We Did This Audit 1

Objective 1

Background 1
The Temporary Assistance for Needy Families Program 1
Federal Requirements 2
New York's Temporary Assistance for Needy Families Program Expenditures 2

How We Conducted This Audit 5

FINDINGS 5

The State Agency Did Not Ensure Accurate Reporting or Proper Maintenance of Supporting Documentation for Temporary Assistance for Needy Families Program Expenditures 6

RECOMMENDATIONS 7

STATE AGENCY COMMENTS 8

OFFICE OF INSPECTOR GENERAL RESPONSE 8

APPENDICES

A: Audit Scope and Methodology 10

B: Federal Requirements for Temporary Assistance for Needy Families and Maintenance-of-Effort Expenditures 13

C: State Agency Comments 14

INTRODUCTION

WHY WE DID THIS AUDIT

The Temporary Assistance for Needy Families (TANF) program provides grants to States to help low-income families with financial assistance and support for work-related activities, child care, and other services. As a condition of receiving Federal TANF funds, States are required to spend a certain amount of their own funds (known as State maintenance-of-effort (MOE) funds) on TANF-allowable expenditures.[1] States must report their expenditures quarterly to the Administration for Children and Families (ACF). Effective fiscal year (FY) 2015, ACF required States to use a revised form (ACF-196R) to report their TANF financial expenditures data.[2] Therefore, we decided to review States' compliance with the revised TANF reporting requirements. We audited New York's reporting of TANF and MOE expenditures because a prior Office of Inspector General audit of TANF Basic Assistance payments in New York State identified significant areas of noncompliance with Federal requirements.[3]

OBJECTIVE

Our objective was to determine whether the New York State Office of Temporary and Disability Assistance (the State agency) ensured that its TANF and MOE expenditures reported to ACF met Federal requirements.

BACKGROUND

The Temporary Assistance for Needy Families Program

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996[4] established the TANF program to help families progress from welfare to self-sufficiency. Under TANF, the Federal government provides States $16.6 billion in annual block grants to design and operate

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[1] States are required to spend a minimum percentage of their historic State expenditures to meet basic MOE requirements. Allowable MOE expenditure categories include cash assistance, childcare assistance, education activities, administrative costs, and costs for information technology (Social Security Act § 409(a)(7) and 45 CFR §§ 263.1-263.2).

[2] On May 2, 2014, the Office of Management and Budget approved the use of the ACF-196R State TANF Financial Report Form. The ACF-196R is used by States administering the TANF program to report quarterly expenditure data and to request quarterly grant funds. The revised form modified and expanded the list of expenditure categories and changed the accounting method for reporting expenditures and monitoring grant awards.

[3] *Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in New York State for July 1 Through December 31, 2005* (A-02-06-02015) October 31, 2007.

[4] P.L. No. 104-193.

programs that accomplish the TANF program's four purposes.[5] States have broad flexibility in how they spend their TANF and MOE funds. At the Federal level, ACF's Office of Family Assistance administers the TANF program and provides oversight for compliance with Federal requirements.

Federal Requirements

States may use Federal TANF funds for expenditures that are reasonably calculated to accomplish the purposes of the TANF program or for which the State was authorized to use funds under prior law (45 CFR § 263.11). TANF and MOE expenditures must be necessary, reasonable, and allocable to the performance of the TANF program and be adequately documented (45 CFR §§ 75.403(a) and (g)). States must also submit quarterly reports of TANF data and financial information to ACF using the ACF-196R (Social Security Act § 411 and 45 CFR § 265.3).[6] States' quarterly ACF-196R reports must be complete and accurate and filed by the due date. States must maintain records to adequately support any report (45 CFR § 265.7).

States' financial management systems must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The financial management system must provide accurate, current, and complete disclosure of the financial results of each Federal award or program; maintain records that identify adequately the source and application of funds for federally-funded activities; and have effective control over, and accountability for, all funds, property, and other assets (45 CFR § 75.302).

New York's Temporary Assistance for Needy Families Program Expenditures

In New York, the State agency administers the TANF program and delegates local social services districts (local districts)[7] to operate their local program. The State agency provided guidance to local districts regarding the proper determination of eligibility for cash assistance and energy

[5] The program's purposes are to: (1) provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families.

[6] Beginning with the FY 2015 first quarter report, States would use the ACF-196R to report TANF and MOE expenditures quarterly and, if necessary, the ACF-196 (prior form) to adjust expenditures of funds for grant years prior to FY 2015. After a State expends all funds for grant years prior to FY 2015, it will no longer need to use the ACF-196.

[7] In New York State, each county is considered its own social services district, except the five counties that make up New York City, which are considered a single district.

payments made through Temporary Assistance.[8] It also issued policy directives on certain locally operated TANF programs, including funding allocation and reporting requirements.[9]

For FY 2016, ACF awarded the State agency $2.7 billion in Federal TANF funds and the State agency reported a total of $5.3 billion in TANF and MOE expenditures on its ACF-196R reports. These expenditures included $4.8 billion[10] in total assistance payments and support expenditures for TANF-eligible families and individuals[11] and $558 million transferred to two other ACF-funded programs—the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG) programs.[12]

The State agency obtained total TANF and MOE expenditures from local districts and TANF-funded State programs[13] and reported these amounts on its ACF-196R reports. Local districts were responsible for collecting and maintaining supporting documentation for assistance payments and support services reported as TANF and MOE expenditures and submitted monthly summary reports of these expenditures to the State agency. On a quarterly basis, the State agency used summary reports submitted by the local districts to the State agency's claims reporting system, gathered data from several schedules in these summary reports, and used a preset formula to calculate totals for both TANF and MOE expenditures. The State agency then combined these totals with monthly or quarterly expenditure totals from TANF-funded State programs, including program administrative expenditures, and reported its total quarterly TANF and MOE expenditure amounts to ACF on the ACF-196R. Figure 1 on the next page illustrates the State agency's multi-layered process for reporting TANF and MOE expenditures.

[8] *Temporary Assistance Source Book* and *Temporary Assistance Energy Manual.*

[9] 2016 New York State Summer Youth Employment Program Allocations (16-LCM-06) and 2016-17 Flexible Fund for Family Services (16-ADM-10).

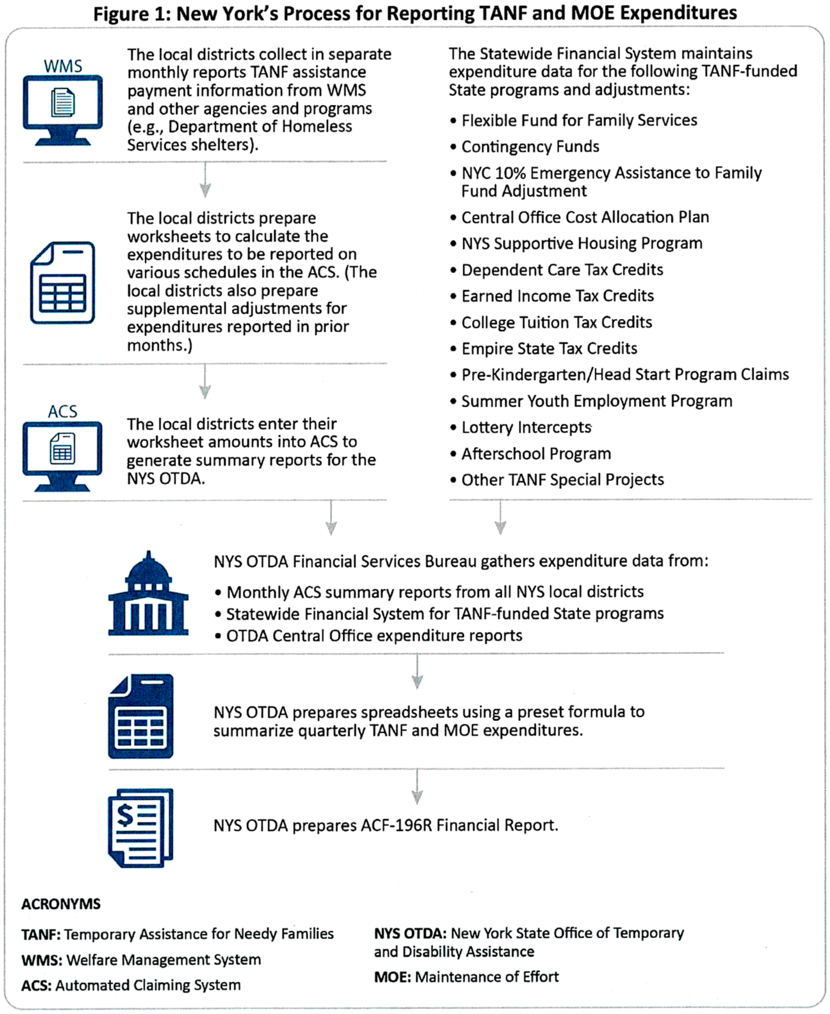
[10] The $4.8 billion consisted of $2 billion in TANF expenditures and $2.8 billion in MOE expenditures.

[11] Expenditure categories included Basic Assistance, Work, Education and Training Activities, Early Care and Education, Non-Recurrent Short-Term Benefits, Supportive Services, Services for Children and Youth, and Child Welfare Services.

[12] States can transfer up to 30 percent of their TANF funds to these programs.

[13] TANF-funded State programs included a summer youth employment program, State tax credits for college tuition, and Head Start.

Figure 1: New York's Process for Reporting TANF and MOE Expenditures



HOW WE CONDUCTED THIS AUDIT

Our audit covered $4.8 billion in reported TANF and MOE funds expended by the State agency during FY 2016 (October 1, 2015, through September 30, 2016).[14] We reviewed these expenditures and traced them to the State agency's summary worksheets. We also reviewed selected expenditures and supporting documentation from two local districts (New York City (NYC) and Suffolk County (Suffolk)) for the quarter ending September 30, 2016.[15, 16, 17]

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology. Appendix B contains the details on Federal requirements for TANF and MOE expenditures.

FINDINGS

The State agency's oversight did not ensure that its reported TANF and MOE expenditures met Federal requirements. Specifically, although the State agency timely submitted required expenditure reports to ACF, except for certain State tax credits,[18] it did not ensure the accuracy of the other expenditures reported on its ACF-196R.

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[14] This was the most recent data available at the start of our audit. We did not review how the $558 million transferred to the CCDF and SSBG was used. We only verified that no more than 30 percent of the State agency's $2.7 billion TANF grant was used for these programs (Social Security Act § 404(d)).

[15] We selected Basic Assistance expenditures because this expenditure category was the largest category ($1.5 billion). ACF defined Basic Assistance as cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (e.g., for food, clothing, shelter, and utilities).

[16] We selected NYC and Suffolk because they reported the two largest Basic Assistance expenditure amounts for FY 2016—$1.1 billion and $65 million, respectively. Together, NYC and Suffolk reported 74 percent of the State's total Basic Assistance expenditures. The remaining local districts reported a combined $404 million (26 percent) in Basic Assistance expenditures.

[17] For the quarter ending September 30, 2016, NYC reported $225 million and Suffolk reported $16 million in Basic Assistance expenditures for cash assistance, emergency assistance, family shelter, domestic violence shelter, and other assistance expenditures such as emergency and disaster-related shelters, temporary shelter for the homeless, carfare, and portions of child support collections passed through (paid) to custodial parents. We judgmentally selected for review 59 NYC and Suffolk Basic Assistance payments (47 NYC payments and 12 Suffolk payments) for the month of July 2016 based on payment amounts, eligibility categories, and payment types.

[18] The State agency provided documentation that it sampled and reviewed some individual taxpayer returns to determine whether the associated earned income and dependent care tax credits were eligible to be claimed as MOE expenditures.

The State agency did not have adequate financial management procedures to ensure that TANF program expenditures reported to ACF were used in accordance with the intended purposes of the TANF grant. The State agency had procedures for obtaining TANF and MOE expenditure amounts from local districts and TANF-funded State programs and for reporting these expenditures on the ACF-196R reports. However, the State agency relied on the local districts and TANF-funded State programs to compile and maintain all supporting documentation for reported expenditures. State agency officials stated that they did not review the supporting documentation.

As a result, the State agency could not provide assurance that its reported TANF program expenditures for FY 2016, totaling $4.8 billion in TANF and MOE expenditures, met Federal requirements and were used in accordance with the intended purposes of its TANF grant. Inaccurate reporting of TANF program expenditures could negatively impact ACF's program decision making related to how States use their TANF and MOE funds.

The State Agency Did Not Ensure Accurate Reporting or Proper Maintenance of Supporting Documentation for Temporary Assistance for Needy Families Program Expenditures

States' expenditures of Federal TANF funds must be reasonably calculated to accomplish the purposes of the TANF program (45 CFR § 263.11). TANF and MOE expenditures must be necessary, reasonable, and allocable to the performance of the TANF program and be adequately documented (45 CFR §§ 75.403(a) and (g)). Further, States' quarterly reports must be complete and accurate, and States must maintain records to adequately support any report (45 CFR § 265.7). In addition, States' financial management systems must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award (45 CFR § 75.302).

The State agency did not ensure accurate reporting or proper maintenance of supporting documentation for TANF and MOE expenditures reported by its local districts and TANF-funded State programs. The State agency maintained local districts' summary reports and obtained monthly or quarterly expenditure totals from TANF-funded State programs. It also prepared summary worksheets to calculate TANF and MOE expenditures. However, it did not ensure local districts accurately reported their TANF program expenditures or maintained adequate supporting documentation for reported expenditures. In addition, based on our review of selected expenditures at two local districts, we determined that the local districts relied on individual local agencies and programs to maintain the supporting documentation for their reported expenditures. We note that we were unable to obtain support for all reported expenditures.[19] Specifically, of the 59 judgmentally selected Basic Assistance expenditures at the two local districts, 10 payments (17 percent) did not meet Federal requirements or were not adequately supported.[20] (See Figure 2 for examples.)

Figure 2: Sampled Expenditures Did Not Meet Federal Requirements or Were Not Supported

The following are examples of sampled expenditures at one district (NYC) that did not meet Federal requirements or were not supported.

- The district made six payments for carfare based on incorrect estimates of allowable public transportation expenses.
- The district made two housing-related payments for which it did not provide sufficient documentation to support the expenses. For both payments, the district relied on a local agency to maintain the supporting documentation.

RECOMMENDATIONS

We recommend that the New York State Office of Temporary and Disability Assistance:

- work with its local districts and TANF-funded State programs to develop financial management procedures that would enable the State agency to determine if TANF and MOE expenditures are accurately reported to ACF, including the $4.8 billion in TANF and MOE expenditures reported for FY 2016; and
- improve its oversight of the TANF program by providing additional guidance and training to ensure that its local districts accurately report expenditures and maintain adequate documentation to support TANF and MOE expenditures reported.

[19] For Suffolk, the State agency did not fulfill our requests to provide supporting documentation for some summary reports and child support collection amounts.

[20] Seven payments did not meet Federal requirements and three payments were not adequately supported.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our recommendations and stated that the recommendations are the currently established practices of the State agency. The State agency further described its current policies and procedures to ensure local districts comply with Federal and State requirements for the TANF program. It also stated that, if State agency officials indicated that they did not review supporting documentation for TANF program expenditures reported by local districts, OIG misunderstood the intent of these comments. Finally, the State agency stated that it will continue to pursue ways to further strengthen its oversight of the TANF program.

In its comments, the State agency stated that the title of the report is misleading and unfairly mischaracterizes its existing oversight and monitoring policies and practices. The State agency also stated that it was not given sufficient opportunity to provide information regarding the full scope of its monitoring activities for the TANF program and detailed a number of its components' monitoring efforts, including reviews conducted by its Temporary Assistance (TA) Bureau and Financial Services Bureau.[21] The State agency provided information regarding its procedures for receiving, reviewing, and processing applications for assistance, and for determining eligibility for benefits, and stated that the results of our judgmental sample could not be applied to the entire Basic Assistance payment population.

The State agency's comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments, we maintain that our report title, findings and recommendations are valid. State agency officials indicated that the State agency did not review supporting documentation for expenditures reported by the local districts because the documentation was maintained at the local district level.[22]

The objective of our audit was to determine whether the State agency ensured that its FY 2016 TANF and MOE expenditures reported to ACF met Federal requirements. We reviewed the State agency's procedures for reporting expenditures and its monitoring activities related to our objective. We did not review the State agency's internal controls over its entire TANF program, including its procedures for receiving, reviewing, and processing applications for assistance, and for determining eligibility for benefits. Throughout the audit, we provided several opportunities for the State agency, including its TA Bureau and Financial Services

[21] According to the State agency, its TA Bureau oversees TANF program eligibility. For example, the State agency described how the bureau reviews documentation to confirm the accuracy of TANF program eligibility determinations and resulting TANF payments.

[22] We also note that State agency officials referred us to the local districts when we sought such supporting documentation.

Bureau, to discuss its monitoring and oversight activities for the reporting of TANF and MOE expenditures and to provide information relevant to such activities.[23]

We acknowledge the State agency's comments about its robust TANF program monitoring function and efforts made to strengthen its oversight of the program. However, we determined that the State agency did not have adequate oversight during our audit period to ensure that its reported TANF program expenditures met Federal requirements. Specifically, during our audit period, the State agency did not have policies and procedures in place to review TANF and MOE expenditures reported by local districts and did not review the local districts' supporting documentation prior to reporting their TANF and MOE expenditures.

Further, the State agency mischaracterized our use of judgmental sampling. We did not apply the results of the judgmental sample to the entire Basic Assistance payment population. Rather, we used the results to illustrate why the State agency may want to have procedures to review what its local districts reported for their TANF and MOE expenditures.

[23] For example, we conducted entrance and exit conferences with the State agency; met with State agency officials during a 2-day site visit to the State agency's offices in Albany, New York; and invited State agency officials to meetings with local district officials. Officials from the TA Bureau were present at the entrance conference and the meeting held on the first day of our site visit along with officials from the Financial Services Bureau. The State agency indicated that the Federal Reporting Unit within its Financial Services Bureau was responsible for compiling the agency's quarterly ACF-196R reports and would provide us the information required for our audit.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed $4,756,132,559 in TANF and MOE funds[24] expended by the State agency during FY 2016. We reviewed expenditures that the State agency reported to ACF for FY 2016 and traced the reported expenditures to summary worksheets. We also selected NYC and Suffolk for transaction level review of their Basic Assistance expenditures[25, 26] and reviewed their supporting documentation for the quarter ending September 30, 2016.[27]

We limited our review of the State agency's internal controls over the TANF program to those applicable to the expenditures reviewed because our objective does not require an understanding of all internal controls over the program.

We performed our fieldwork at the State agency's office in Albany, New York, NYC's local district office in New York, New York, and Suffolk's local district office in Ronkonkoma, New York.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal TANF laws, regulations and guidance;
- met with ACF officials to gain an understanding of and to obtain information on the TANF program;
- met with State agency officials to obtain an understanding of their procedures, including any guidance issued to the local districts, for compiling and reporting TANF and MOE expenditures;

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[24] The $4,756,132,559 consists of $1,940,050,949 in TANF expenditures and $2,816,081,610 in MOE expenditures.

[25] We selected Basic Assistance because it represented the largest expenditure category reported at $1,534,089,582 for FY 2016.

[26] We selected NYC and Suffolk because they reported the two largest Basic Assistance expenditures for FY 2016 at $1,093,389,597 and $65,421,983, respectively. The remaining 56 local districts combined reported $404,026,300 in total Basic Assistance expenditures.

[27] For the quarter ending September 30, 2016, NYC reported $224,830,083 and Suffolk reported $15,615,823 in Basic Assistance expenditures for cash assistance, emergency assistance, family shelter, domestic violence shelter, and other assistance expenditures such as emergency and disaster-related shelters, temporary shelter for the homeless, carfare, and portions of child support collections passed through (paid) to custodial parents.

- obtained from the State agency the quarterly ACF-196R TANF data and financial reports and MOE data reports submitted to ACF for FY 2016;

- requested from the State agency supporting documentation for TANF and MOE expenditure categories and transfers reported on the quarterly ACF-196R reports for FY 2016;

- reviewed reports and worksheets provided by the State agency and traced the summary amounts to the quarterly ACF-196R reports for FY 2016;

- selected the Basic Assistance expenditure category for detailed review of transactions; and:

    - selected NYC and Suffolk for review because they reported the two largest Basic Assistance expenditure amounts in FY 2016;

    - met with NYC and Suffolk local district officials to discuss their processes for tracking and reporting TANF and MOE expenditures for Basic Assistance to the State agency;

    - obtained from NYC and Suffolk data and documentation to support the TANF and MOE expenditures reported as Basic Assistance for FY 2016 4th quarter, covering July 2016 through September 2016;[28]

    - judgmentally selected 59 NYC and Suffolk Basic Assistance payments (47 NYC payments and 12 Suffolk payments) for the month of July 2016;[29] and

    - obtained beneficiary case records and supporting documentation for each selected payment to determine whether the district accurately reported the expenditure;[30] and

- summarized the results of our audit and discuss these results with State agency officials.

[28] Specifically, we obtained monthly summary reports for Basic Assistance payments from the WMS and other local agencies and programs, worksheets for calculating and reporting TANF and MOE expenditures on various schedules in the ACS, and information on supplemental adjustments for expenditures reported in prior months. (See Figure 1 for descriptions of WMS and ACS.)

[29] We judgmentally selected for review 59 NYC and Suffolk Basic Assistance payments (47 NYC payments and 12 Suffolk payments) for the month of July 2016 based on payment amounts, eligibility categories, and payment types.

[30] We verified the reported payment amounts and determined whether payments were adequately supported and whether payments were reported in the appropriate expenditure category.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: FEDERAL REQUIREMENTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES AND MAINTENANCE-OF-EFFORT EXPENDITURES

Public Law 104-193, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, amended sections 401 through 419 of the Social Security Act to establish the TANF program. The four purposes of TANF block grants to States are to: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families (Social Security Act § 401(a)).

The minimum basic MOE for a fiscal year is 80 percent of a State's historic State expenditures. The basic MOE drops to 75 percent if a State meets the minimum work participation rate requirements. State expenditures that count toward meeting a State's basic MOE expenditure requirement include the following: (1) cash assistance, (2) child care assistance, (3) education activities, (4) any other funds allowable under Social Security Act § 404(a)(1), and (5) administrative costs and costs for information technology (Social Security Act § 409(a)(7) and 45 CFR §§ 263.1-263.2).

States' expenditures of Federal TANF funds must be: (1) reasonably calculated to accomplish the purposes of the TANF program, or (2) authorized for the State under prior law Title IV-A or IV-F as of September 30, 1995 (Social Security Act § 404(a) and 45 CFR § 263.11).

TANF and MOE expenditures must be necessary, reasonable, and allocable to the performance of the TANF program and be adequately documented (45 CFR §§ 75.403(a) and (g)).

States must submit quarterly reports of TANF data and financial information to ACF using the ACF-196R. States that claim MOE expenditures for separate State programs must also report the MOE data to ACF on a quarterly basis. States' quarterly reports must be complete and accurate and filed by the due date. States must maintain records to adequately support any report (Social Security Act § 411 and 45 CFR §§ 265.3, 265.7).

APPENDIX C: STATE AGENCY COMMENTS

NEW YORK STATE OF OPPORTUNITY. | **Office of Temporary and Disability Assistance**

ANDREW M. CUOMO
Governor

MICHAEL P. HEIN
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

March 15, 2021

Amy J. Frontz
Deputy Inspector General for Audit Services
HHS/OIG/OAS
26 Federal Plaza, Room 3900
New York, NY 10278

Re: TANF Review A-02-17-02005

Dear Ms. Frontz:

The New York State Office of Temporary and Disability Assistance (OTDA) respectfully submits this response to the Department of Health and Human Services (HHS), Office of Inspector General's (OIG) draft report titled "New York Did Not Have Adequate Oversight of Its Reported Temporary Assistance For Needy Families Program Expenditures" (A-02-17-02005 (January 2021) (hereinafter the "Draft Report")).

Before addressing the Draft Report findings and recommendations, it will be helpful to provide a brief background as to New York's structure, operation, and delivery of assistance benefits.

I. Background

OTDA's mission is to help vulnerable New Yorkers meet their essential needs and advance economically by providing opportunities for stable employment, housing, and nutrition. OTDA utilizes the Federal Temporary Assistance for Needy Families (TANF) program funds to support a wide range of programs and services that are designed to address and support the Agency's mission of assisting low-income households within the State. Temporary Assistance (TA) is the largest component of TANF funding and is comprised of the Family Assistance (FA), Emergency Assistance for Families (EAF), and Safety Net Assistance (SNA) programs which provide cash benefits to eligible households.

In New York, the TA program is State supervised and locally administered; that is, OTDA has jurisdiction and authority over the program, and develops the policies under which all 58 county-level social services districts ("Districts") must conduct operations. The Districts, under OTDA policy directives and guidance, are directly responsible for implementing controls for receiving, reviewing, and processing applications for assistance. These applications are entered into OTDA's systems which utilize numerous edits and controls to further verify compliance with basic program requirements.

OTDA continually works with the Districts to provide policy and program guidance and confirm that the Districts understand and are following all Federal and State requirements for TANF, including determining eligibility for benefits. OTDA's electronic systems, in conjunction with varied programmatic monitoring activities and numerous data matches, also assist in strengthening the accuracy of eligibility determinations made by the Districts. OTDA monitors Districts' case processing and the application of program rules during annual reviews and audits, as well as through ad hoc reviews and analyses. OTDA's oversight practices and procedures are also audited annually, under the Single Audit Act, by external auditors.

With this background in mind, we would like to respond in detail to some of the specific points made in the Draft Report.

II. Current Monitoring Activities

The Draft Report, as currently written, suggests that *"New York's oversight did not ensure that its reported TANF/MOE expenditures met Federal requirements. Specifically, although New York timely submitted required expenditure reports to ACF, except for certain State tax credits, it did not ensure the accuracy of the other expenditures reported to ACF."*

OTDA shares OIG's goal of ensuring the accuracy of expenditures and improving upon agency monitoring. However, the report is unclear as to where the specific deficiencies are, and the specific steps recommended for improving oversight.

We also have concerns over the fact that OTDA was not given sufficient opportunity to provide the necessary feedback during the audit. It was not until the September 25, 2019 exit conference that OTDA was verbally informed of the auditors' intent to issue a finding that NYS lacked proper controls over the TANF/MOE reporting process. Had OTDA been informed earlier of the concern, information could have been shared that would have presented a more accurate picture of existing policies and procedures. Only after the finding was presented to OTDA, *nearly a full two years after the audit's inception* and presumed completion of case work, did OIG auditors make inquiries to OTDA requesting descriptions of TANF/ MOE reporting controls.

OTDA has robust internal controls in place (including but not limited to regular audits, reviews, and data matches) to confirm that TANF and Maintenance of Effort (MOE) expenditures meet both Federal and State requirements and are reported appropriately according to the TANF Grant requirements. OTDA's TANF and MOE expenditures cover a wide array of programs and services and each expenditure category has specific controls in place. It is evident from the Draft Report that the OIG auditors did not have a clear understanding of all OTDA supervised TANF and MOE programs and their complexities. While the OIG auditors reviewed the source documentation utilized by OTDA accountants to compile the ACF-196R: *Financial Reporting Form* for reporting TANF expenditure data to HHS, other than the small judgmental sample of TA cases, we are not aware that any other expenditures were reviewed in depth, and no specific areas of concern or instances of "inaccuracies" of the expenditures were identified. Accordingly, we believe the conclusions that were reached are overbroad and not reflective of the full breadth of existing oversight activities.

Specific to the TA program, which represents the largest portion of TANF expenditures, the report neglects to recognize many existing reviews performed by OTDA, including those that HHS has acknowledged as being adequate and appropriate. These reviews include the following:

- **Division of Employment and Income Support Programs (EISP), Temporary Assistance (TA) Bureau** conducts reviews of eight to ten Upstate Districts (which includes all rest of state districts) and five New York City (NYC) Human Resource Administration (HRA) Job Centers, annually, with each review consisting of at least 35 randomly selected cases. Large Districts (those with higher caseloads) are reviewed every three years, while smaller Districts are selected based on several factors, including caseload size and risks identified in previous reviews. NYC HRA Job Centers are selected on a rotating basis throughout the five NYC boroughs that comprise one District in NYC. As part of these reviews, the EISP Division examines copious amounts of supporting documentation submitted by applicants/recipients during the eligibility process (i.e., applications/recertifications, birth certificates, social security numbers, Systematic Alien Verification for Entitlement, landlord statements, family composition documents, paystubs, available resources, etc.) and verifies that the actions taken on the application/recertification properly complied with the TANF eligibility requirements.

  In addition to reviewing client submitted documentation, these reviews also involve the examination of case comments, notices issued to clients and full case records in order to confirm the accuracy of TA eligibility determinations and resulting TANF payments. Corrective Action Plans (CAPs) are required to be submitted by Districts for any deficiencies identified during the review process and are monitored by OTDA for a six-month period following implementation. These CAPs require Districts to develop and implement a plan for ensuring staff is provided training in areas where deficiencies were noted. The TA Bureau's subsequent monitoring of these plans confirms that they are implemented and that the risk of future deficiencies is mitigated.

- **Division of EISP, Employment and Advancement Services (EAS) Bureau** typically conducts two Employment Policy Reviews of NYC HRA annually. All other large Districts with 3% or more of the State's All Families work participation rate denominator (the denominator equals the total number of adult headed cases receiving a TANF funded payment, including those cases funded by MOE expenditures, excluding those meeting a federal exemption) are reviewed every three years, while the remaining districts are examined cyclically at least every four years. The EAS bureau evaluates approximately 20 randomly selected cases (and up to 50 cases for NYC HRA) in multiple areas (including assessment and employment plan requirements, determination of exempt status and conciliation and sanction status) to verify that the Districts' policies and procedures for implementing work requirements are compliant with Federal and State rules.

- **Audit and Quality Improvement (A&QI)**
  - Conducts annual **Work Verification Reviews** to confirm that the Districts are processing cases in accordance with an approved plan and are correctly following Federal and State reporting requirements. As part of these reviews, A&QI examines a total of approximately 450 cases each year. NYC cases are reviewed quarterly, while the next largest 21 local Districts by denominator size are reviewed on a rotating basis every three years. These cases are reviewed for documentation of Paid work activities, Unpaid work activities, and documentation of federal exclusion from the denominator.

  - Performs TANF funded EAF program audits to confirm that the Districts are adhering to Federal and State requirements.

– Conducts monthly **Supplemental Nutrition Assistance Program (SNAP) Quality Control (QC) Reviews** using a statistical sample of households participating in SNAP (active cases; 1,020 cases sampled annually) and households for which participation was denied or terminated (negative cases; 680 cases sampled annually) to measure the validity of the SNAP case for a given period and meet stringent United States Department of Agriculture's (USDA) Food and Nutrition Services (FNS) regulations for SNAP QC, payment accuracy and payment error rate monitoring. These SNAP QC reviews are based on the guidelines provided to states in *FNS Handbook 301* and require source documentation or client contact to verify the facts gathered by the District to determine eligibility. While this review sample is based on receipt of SNAP benefits, it must be noted that a high percentage of TANF cases are categorically eligible for and contain a SNAP benefit component and are, therefore, included in the SNAP QC sample.

- **Division of Budget, Finance and Data Management, Financial Services Bureau** conducts monthly and yearly reviews of the claims and supporting documentation submitted by Districts in order to confirm that they are correctly following appropriate claiming policies and procedures (as set forth in the Fiscal Reference Manual) for the broad array of Districts' programmatic and administrative expenditures, including TA. Specifically, NYC HRA is evaluated once every month, whereas other Districts are either reviewed once a year or on a rotating basis of every four years, dictated by the size of the District.

OTDA also performs numerous data matches with various Federal, State and third-party entities to confirm applicants/recipients are eligible for TA, and that the Districts are complying with Federal and State requirements. Data matches may be performed at initial eligibility and on an ongoing basis to confirm client eligibility determinations were correct and that a client continues to be eligible for assistance beyond the initial determination.

III. Title of the report is misleading and does not recognize existing oversight activities and a statement in the report is inaccurate and misleading

The title of the Draft Report, ***"New York Did Not Have Adequate Oversight of Its Reported Temporary Assistance for Needy Families Program Expenditures"*** is misleading and unfairly mischaracterizes existing oversight and monitoring policies and practices. The Report also claims that "State agency officials stated that they did not review the supporting documentation." As OTDA disagrees with this statement, if such a statement was made, the intent was misunderstood, or it was not made in the context in which it is used in the Draft Report.

The stated objective of this audit was to determine if OTDA reported TANF and MOE expenditures to the Administration for Children and Families (ACF) in accordance with current Federal requirements. To accomplish their objectives, OIG auditors met only with the OTDA Finance team on a limited basis to obtain an understanding of OTDA's processes for compiling and producing the *ACF-196R: Financial Reporting Form* for reporting TANF expenditure data to HHS.

While OTDA's Finance staff handle financial reporting activities, they work closely in conjunction with OTDA'S TA Bureau which is the bureau tasked with oversight of Temporary Assistance program eligibility within OTDA and is staffed by TA Program Specialists who are OTDA's subject matter experts for activities related to these programs. It must be noted that at no time during the two-year span of the audit, which began in October 2017, had OIG auditors met, or otherwise had any substantive discussions with TA Bureau staff specifically regarding OTDA's monitoring activities. Had OIG expanded its review to include the full scope of existing oversight activities, we believe the result would be a much different set of findings.

It is also important to note, that during FFY 2016, OTDA reimbursed Districts for more than 6.4 million payments, out of which the auditors selected a judgmental sample of 59 Basic Assistance payments, representing less than .001 percent of the total population. Furthermore, due to the inherent bias that is associated with a judgmental sample, the results cannot be applied to the entire population, as almost a third of the sampled payments were comprised of payment types (carfare and transportation payments) that do not represent the vast majority of payments issued under the TA program. As such, the sample selection is not representative of the OTDA's TA expenditures. Accordingly, related results and findings cannot be meaningfully applied to the entire Basic Assistance payment population.

Given the limited scope of the audit, the resulting lack of recognition of existing oversight mechanisms, and the reliance on a small judgmental sample, OTDA respectfully requests that the title be changed to more accurately reflect the full breadth of existing oversight.

IV. Recommendations

NYS OTDA, having considered the entire Draft Report, concludes that both recommendations contained therein, and discussed below, are, at present, the currently established practices of OTDA.

As to each recommendation:

(1) Work with its local districts and TANF-funded State programs to develop financial management procedures that would enable it to determine if TANF and MOE expenditures are accurately reported to ACF, including the $4.8 billion in TANF and MOE expenditures reported for FFY 2016.

OTDA agrees with this general recommendation and will continue to pursue ways to further strengthen oversight. As noted above, OTDA's TANF and MOE expenditures cover a wide array of programs and services and each expenditure category has specific controls and financial management procedures in place to confirm that Federal requirements are adhered to.

(2) Improve its oversight of the TANF program by providing additional guidance and training to confirm that its local districts accurately report expenditures and maintain adequate documentation to support TANF and MOE expenditures reported.

OTDA agrees with this general recommendation and will continue to pursue ways to further strengthen oversight. As noted above, the TA Bureau supervises the administration of TANF funds by developing regulations, issuing policy directives, providing technical assistance, conducting TANF compliance reviews, and developing training resources to assist districts in administering the TA program. Annual TANF reviews of selected Districts are successful in mitigating risk factors by identifying areas where additional training, monitoring and/or oversight is needed. TANF reviews confirm that NYS is in compliance with TANF eligibility requirements including, among other things, the issuance of non-assistance payments, compliance with minor parent living arrangements and school requirements, child support requirements, citizenship requirements, and compliance with FA category requirements. In addition to the discussions with District staff during the TANF review and CAP monitoring processes discussed above, TA Bureau staff also communicate with Districts on a regular basis to provide ongoing policy guidance, assess areas for improvement and identify potential training topics that will assist District staff in the performance of their duties related to the administration of the TANF grant. Training plans are reviewed and approved annually by the TA Bureau and OTDA's Training and Staff Development Bureau, and an advisory council meets twice per year to discuss effectiveness and training needs for District staff. The TA Bureau also issues timely policy and procedural updates to confirm that Districts have adequate knowledge and information to properly administer the TANF-funded program and provide District staff with up-to-date information related to Federal and State TANF rules and regulations.

If you have questions regarding this response, please do not hesitate to contact Annah Geiger, OTDA Director of Internal Audit, at (518) 473-6035.

Sincerely,

Michael P. Hein Digitally signed by Michael P. Hein Date: 2021.03.15 14:35:32 -04'00'

Michael P. Hein
Commissioner

cc: Jennifer Webb
Abby Huang
Barbara C. Guinn
Rajni Chawla
Annah Geiger

URBAN INSTITUTE · ELEVATE · THE · DEBATE

October 8, 2024

The Honorable Jason Smith
Chairman, House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

Re: House Committee on Ways and Means Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind

Dear Chairman Smith, Ranking Member Neal, and members of the committee:

Thank you for the opportunity to submit written comments for the hearing record on access and accountability for Temporary Assistance for Needy Families (TANF) block grant funds. I have been conducting research on TANF since its inception, on such topics as state policy choices and program approaches, eligibility and participation, outcomes measurement and performance management, tribal TANF programs, county-administered TANF programs, TANF for two-parent families, and the relationship between TANF and the workforce development system. I have conducted extensive interviews and focus groups with people seeking TANF and those administering the program, and I have previously testified before Congress, submitted public comments, and written extensively on the issues related to this hearing. The views expressed in this comment are my own and should not be attributed to the Urban Institute, its board, or its funders.

State flexibility is a central tenet and hallmark of the TANF block grant. However, in practice, states have used this flexibility to both creatively promote and questionably stretch the purposes of TANF, with the block grant often referred to as a "slush fund." Using funds for activities seemingly unrelated to the program's core goals, even if technically legal, undermines not only those aims but also the integrity of TANF itself.

Work is another central tenet of TANF. As a condition of receiving cash assistance through the program, parents must engage in work or work activities, with some exceptions. My comment provides supporting evidence that parents with low incomes have intrinsic motivations for employment, that TANF work requirements can be counterproductive, and that shifting TANF funding to the broader workforce development system could leave recipient families behind.

In the following sections, I offer evidence-based recommendations on how TANF can better support the families it is meant to serve.

Sincerely,

Heather Hahn
Associate Vice President, Center on Labor Human Services, and Population
Urban Institute

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urban.org

Ensuring TANF Supports Children in Need

Focusing TANF–funded benefits and services on families with needy children is a valuable investment in their well-being. The evidence shows that children have better immediate and long-term outcomes when their families have greater financial security and increased access to benefits and services that mitigate the effects of poverty. "Investments that reduce poverty and direct resources at very young children have particularly high payoffs," according to strong evidence presented in a recent Urban Institute report.[1] Research finds that increased income from cash payments leads to several near-term improvements: reduced material hardship, reduced adverse childhood experiences, improved brain development, and improved parenting habits. In the longer term, these lead to improvements in high school completion, college enrollment, and physical health. Improvements in children's long-term well-being also yield positive outcomes for the nation, as they become adults who pay more in taxes and are less likely to need additional public supports.

Proposed rules by the US Department of Health and Human Services (HHS) would help ensure that federal flexibility and state creativity are in the service of supporting needy children and improving their well-being.[2] In my expert opinion, as I stated in my public comment on the proposed rulemaking, these proposed rules appropriately maintain state flexibility while ensuring TANF funds directly support children in need.[3] The Notice of Proposed Rulemaking reinforces states' ability to determine how they use TANF funds to assist needy families but addresses the issue of some states using TANF block grant funds more loosely than intended.

"Reining in" the billions of dollars of current TANF spending that are not reasonably calculated to accomplish the purposes of the program could result in billions of dollars of unspent funds. To maximize support for children in need, it will be important not only to rein in TANF spending that doesn't advance the program's goals but also to encourage or incentivize states to spend their block grants so "misused" funds do not become merely "unspent" funds.

Congress or HHS could consider establishing rules about what share of unused funds states can keep and how to incentivize states to use their TANF block grant and maintenance-of-effort funds. States already have clear ways to increase the share of their TANF spending that supports children in need, such as raising their benefit amounts, expanding eligibility criteria, and easing burdens on eligible families seeking TANF cash assistance.

- **Raising cash benefit amounts** would be reasonably expected to improve child outcomes. The maximum monthly TANF cash payment amounts for a family of three with no other income in 2021 averaged $501 and ranged from $204 in Arkansas to $1,098 in New Hampshire.[4]
- **Expanding income eligibility for TANF cash assistance** would also expend additional TANF funds appropriately and extend the reach of this vital support to more children in need. On average, across all states in 2021, a family of three applying for TANF could have monthly earnings of no

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[1] Elaine Maag, Cary Lou, Michelle Casas, Hannah Daly, Gabriella Garriga, and Lillian Hunter, *The Return on Investing in Children: Helping Children Thrive* (Washington, DC: Urban Institute, 2023).

[2] "Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program," Office of Family Assistance, Administration for Children and Families, US Department of Health and Human Services, October 2, 2023, https://www.federalregister.gov/documents/2023/10/02/2023-21169/strengthening-temporary-assistance-for-needy-families-tanf-as-a-safety-net-and-work-program.

[3] Heather Hahn, "Public Comment on Proposed Rulemaking on Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program," Urban Institute, December 4, 2023, https://www.urban.org/research/publication/public-comment-proposed-rulemaking-strengthening-temporary-assistance-needy.

[4] Sarah Knowles, Ilham Dehry, Katie Shantz, and Linda Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2021*, OPRE Report 2023-001 (Washington, DC: Urban Institute, 2023).

more than $673 (less than 37 percent of the federal poverty level). This threshold ranged from $268 in Alabama to $2,413 in Minnesota (the only state with an initial income eligibility threshold above the poverty level).[5] For context, 200 percent of the federal poverty guideline for a family of three in 2021 was $3,660 a month.

- **Ensuring eligible families can access TANF cash assistance** would also extend the reach of the program. Only 21 percent of eligible families received TANF cash assistance in 2019. The reasons eligible families do not receive assistance include lack of awareness of the program, inability to navigate application and renewal processes, feelings of belittlement and unfair treatment, and not wanting the government "in their business."[6]

Ensuring TANF Supports Employment

People receiving public assistance want to work and support their families. In my research, which involves listening to low-income parents across the country, I consistently and clearly hear them say they want to work, be self-sufficient, and no longer rely on public assistance.[7] One mother in Michigan said, "I would give anything and trade all the TANF I could ever get for a stable job," with other women in the same discussion sharing the same sentiment. Parents have genuine incentives to finds jobs without a work requirement; what they need is access to skills development, training, employment services, and other work supports.

Making ends meet is increasingly difficult for American workers. Almost one in eight workers holds an occupation whose median wage is barely enough to lift families out of poverty. These include jobs such as retail salespeople, cashiers, food service workers, wait staff, stock clerks, and personal care aides.[8] Many low-wage jobs in the current economy are also temporary or involve unpredictable, fluctuating schedules and have few benefits, making it difficult for people to support themselves and their families—even if they want to work full time.[9]

Because adults receiving TANF cash assistance are required to work or engage in work activities, and because receipt of benefits is time limited, the link between TANF and workforce development is clear. The bipartisan framework Congress developed in the Workforce Investment and Opportunity Act (WIOA) set the stage for people to have better access to valuable workforce development services that can help

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[5] Knowles, Dehry, Shantz, and Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2021*.

[6] Heather Hahn, Linda Giannarelli, David Kassabian, and Eleanor Pratt, *Assisting Two-Parent Families through TANF* (Washington, DC: Urban Institute, 2016); Eleanor Pratt and Heather Hahn, "What Happens When People Face Unfair Treatment or Judgment When Applying for Public Assistance or Social Services?" (Washington, DC: Urban Institute, 2021); Heather Hahn, Gina Adams, Shayne Spaulding, and Caroline Heller, *Supporting the Child Care and Workforce Development Needs of TANF Families* (Washington, DC: Urban Institute, 2016); Eleanor Pratt, Marla McDaniel, Heather Hahn, Jennifer M. Haley, Dulce Gonzalez, Soumita Bose, Sarah Morriss, and Laura Wagner, "Improvements in Public Programs' Customer Service Experiences Could Better Meet Enrollees' Needs and Help Build Trust in Government" (Washington, DC: Urban Institute, 2023).

[7] Hahn, Giannarelli, Kassabian, and Pratt, *Assisting Two-Parent Families through TANF*; Heather Hahn, Michael Katz, and Julia B. Isaacs, "What Is It Like to Apply for SNAP and Other Work Supports? Findings from the Work Support Strategies Evaluation" (Washington, DC: Urban Institute, 2017).

[8] Brynne Keith-Jennings and Vincent Palacios, *SNAP Helps Millions of Low-Wage Workers: Crucial Financial Support Assists Workers in Jobs with Low Wages, Volatile Income, and Few Benefits* (Washington, DC: Center on Budget and Policy Priorities, 2017).

[9] Liz Ben-Ishai, "Volatile Job Schedules and Access to Public Benefits" (Washington, DC: Center for Law and Social Policy, 2015); Jessica Gehr, "Doubling Down: How Work Requirements in Public Benefit Programs Hurt Low-Wage Workers" (Washington, DC: Center for Law and Social Policy, 2017).

them find and keep jobs and increase their wages. WIOA made TANF a mandatory partner and revised the performance measures to reduce prior disincentives to serving people with employment challenges. **Nonetheless, one of the greatest barriers to accessing WIOA opportunities for people receiving TANF cash assistance remains the program's work requirements.**

People who need additional job skills could benefit from expanded access to workforce development programs, but the narrow definition of work activities and convoluted TANF work requirement rules in federal law create perverse incentives for states that can get in the way of people seizing opportunities in the workforce development system. TANF law holds states accountable not for moving people into jobs but for ensuring that people are engaged in a specific set of work activities for a minimum number of hours. Federal TANF rules strongly emphasize immediate work rather than longer-term workforce development activities. These rules limit the types of activities that count toward the federal work participation rate requirement and the time states can count for adults in training, creating incentives for states to limit the range of activities available and steer families away from longer-term education, training, and even basic skills education. Some states have made creative use of TANF block grant funds to help families access the supports they need for improved long-term well-being.[10]

TANF and WIOA are mandatory partners, but states and communities rarely give TANF recipients access to the full range of workforce development activities available, including adult education, training, and postsecondary education services, as well as intensive job placement support. Even in states with highly integrated TANF and WIOA systems, TANF clients usually do not have the same access to intensive and training services as non–TANF clients. The coordination between TANF and one-stop centers typically includes common policies and procedures for upfront service delivery, such as common entry points, upfront job skills, job readiness services, and job development and placement.[11] Because TANF families often face personal challenges and exceptional disadvantages, they need the highest-quality child care and most intensive workforce development services, but these same challenges mean they also are among the most difficult families for existing systems to serve.[12] The combination of family characteristics and program rules makes it hard for TANF–receiving families to access intensive, high-quality services.

Recent changes to TANF in the Fiscal Responsibility Act have incentivized states to steer more TANF–receiving adults toward basic education and workforce development programs. As I have recommended in the past, state TANF programs will now report selected employment and education outcomes.[13] A focus on outcomes can encourage states to continue helping families seize immediate employment opportunities as well as allow them to access the full range of workforce development opportunities to achieve even greater self-sufficiency outcomes. A handful of states will now also report on family well-being outcomes and, importantly, will not be held to the current work participation rate requirement. The remaining states will still be required to meet a work participation rate that counts only the more limited work-related activities and for a limited time.

In order for TANF–receiving adults to access the full range of workforce development opportunities, the program needs to remove these remaining restrictions and disincentives. Simply shifting funds from TANF to the workforce development system, as some have proposed, is likely to leave recipient families behind.

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WITH REFORM, TANF CAN LIFT AMERICAN FAMILIES OUT OF DEPENDENCY

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Key Findings

1. **THE TANF PROGRAM HAS STRUCTURAL FLAWS THAT STATES EXPLOIT**, PREVENTING THE PROGRAM FROM SERVING ITS INTENDED PURPOSE AT THE EXPENSE OF THE TRULY NEEDY.

2. WORK IS CENTRAL TO THE SUCCESSES OF TANF, **BUT THE PROGRAM HAS STRAYED FROM ITS MISSION**.

3. LAWMAKERS MUST **REFORM TANF TO ADDRESS FRAUD THAT DIVERTS RESOURCES** AWAY FROM WORK AND THE TRULY NEEDY.

4. **WORK REQUIREMENTS** IN WELFARE PROGRAMS WORK.

THE BOTTOM LINE:

TO PROMOTE WORK AND PROTECT THE TRULY NEEDY, STATES SHOULD REQUIRE A MUCH HIGHER PERCENTAGE OF TANF FUNDING TO GO TOWARD WORK-RELATED ACTIVITIES AND CLOSE EXISTING LOOPHOLES.

Overview

Both political parties agree that the Temporary Assistance for Needy Families (TANF) program needs an overhaul.[1] As with any welfare program, scarce resources must be preserved for the truly needy. Sadly, structural issues allow—and even incentivize—states to exploit and manipulate the TANF program. Moreover, waste, fraud, and abuse are occurring, undermining the program and diverting already limited resources. The lack of attention to these issues by the U.S. Department of Health and Human Services (HHS), which administers TANF at the federal level, adds to the program's inefficiencies. HHS is not taking fraud seriously and holding those at fault accountable.

BOTH POLITICAL PARTIES AGREE THAT THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) PROGRAM NEEDS AN OVERHAUL.

TANF is a significant welfare program funded by both federal and state taxpayers. More than a million families—2.8 million people—receive TANF benefits each year.[2] The federal block grant totals $16.8 billion annually and is supplemented by state funding called maintenance of effort (MOE) expenditures.[3] **In 2022 alone, states spent a total of $31.3 billion in federal TANF and state MOE dollars**.[4]

TANF's purposes are broad and flexible, an intentional upgrade from the program's predecessor, Aid to Families with Dependent Children (AFDC). Another hallmark of the TANF program is a work requirement for able-bodied adults. Today's TANF program is the result of a rare bipartisan reform, passed in 1996 by Congress and signed into law by Democratic President Bill Clinton.[5-6] The results of the work requirement have been great, as welfare caseloads have decreased and earned income has increased.[7-9] It's a true success story and should act as a model for other welfare programs.

> **"Today's TANF program is the result of a rare bipartisan reform, passed in 1996 by Congress and signed into law by Democratic President Bill Clinton."**

As sound as the work requirement policy is, the state flexibility for spending from the grant has created tension for accountability within the program. States can spend federal TANF and state MOE funds on the four TANF goals.[10]

THESE GOALS ARE:

1. to provide assistance to needy families so that children can be cared for in their own homes or homes of relatives;
2. to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. to prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. to encourage the formation and maintenance of two-parent families.[11]

While these four goals of TANF are well-intentioned and have produced some excellent results, they are vague enough that some states have pushed their limits—unintentionally or otherwise—to spend block grant dollars. This has shifted funding away from the original target: to help move individuals from welfare to work.

Work is the answer to help people escape dependency. TANF is temporary assistance. Work provides needy families with a long-term solution and a pathway to freedom. An innovative and modern TANF program will help to empower families, close loopholes and gimmicks, and ensure every dollar is spent effectively and on the core target agreed upon in 1996—to help working families achieve self-sufficiency.

The TANF program has structural flaws that states exploit, preventing TANF from serving its intended purpose at the expense of the truly needy.

TANF requires states to meet certain "work participation" standards. On paper, states must ensure that half of work-eligible TANF cases have enrollees who are working, looking for work, or participating in job training programs.[12-13] In 2022, just seven states met this threshold.[14] Among the 545,000 "work eligible" cases, just 194,000 were engaged in sufficient work activities—far below the 50 percent threshold.[15] Indeed, more than 54 percent of "work-eligible" able-bodied adults reported zero hours of work activities nationwide.[16]

States can lower this 50 percent requirement through caseload reduction and increased spending.[17-18] In 2022, these adjustments lowered states' minimum work participation rate to zero in 34 states.[19] Just six states were subject to the 50 percent threshold.[20] Congress took steps to partially address this issue by recalibrating states' caseload reduction credits to the change in enrollment since 2015, rather than 2005, but this provision does not take effect until 2026.[21]

But even under the recalibration, the adjustments will still lower minimum work participation rates to zero in approximately 19 states and only increase the average minimum work participation rate by two percentage points.[22] Unfortunately, states can also still exploit the measurement with "excess" maintenance of effort spending. The House-passed Limit, Save, Grow Act would recalibrate those credits to fiscal year 2022 and eliminate the excess spending credit.[23]

To make matters worse, states have used "worker supplement" schemes to further game work participation rates. Under this scheme, states go out and search for already-employed individuals not enrolled in TANF, but who are often enrolled in other welfare programs like food stamps or Medicaid. Once identified, states enroll those individuals into a separate program that pays a nominal monthly benefit. These individuals—all of whom are known to be employed at the time of enrollment—are then counted as working TANF enrollees for purposes of the work participation rate. These enrollees are also typically exempt from other TANF rules. About half of states currently operate these programs, and these monthly benefits are as low as a single dollar in some states.

TO MAKE MATTERS WORSE, STATES HAVE USED "WORKER SUPPLEMENT" SCHEMES TO FURTHER GAME WORK PARTICIPATION RATES.

Congress also took steps to partially address this scheme by requiring states to increase these nominal payments to at least $35 per month starting in fiscal year 2026.[24] However, it is likely that this minimum threshold will do little to close the loophole. When Congress established a similar minimum threshold to crack down on the standard utility allowance loophole, 13 of the 17 states abusing the loophole simply increased payments to meet the new threshold.[25]

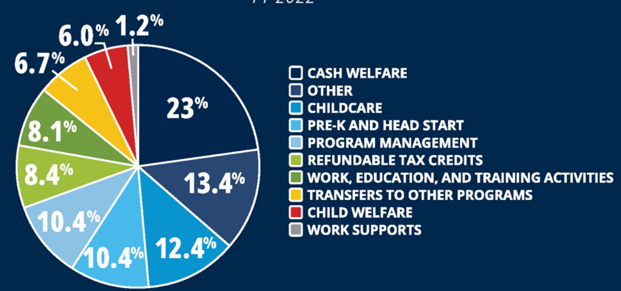
Even if states do not meet the weakened work participation rate requirements, there is little risk of serious penalties. Although federal law allows HHS to reduce states' block grants for failure to meet these standards, penalties can be reduced or waived in three cases: 1) based on the "degree of noncompliance," 2) when HHS finds "reasonable cause" for the failure, or 3) when states enter "corrective compliance plans."[26-27]

California, for example, has failed one or both of the work participation rate requirements every single year for the last 15 years. Although federal officials assessed nearly $1.9 billion in penalties for these failures, they later reduced those penalties to just $64 million.[28]

When creating TANF, Congress intentionally departed from the AFDC method of a direct cash welfare entitlement, instead tying welfare to work. Yet only 21 percent of adult TANF recipients are working today, largely because of these inefficiencies and loopholes.[29] And the program continues to divert spending to non-work purposes.

Work is supposed to be central to TANF, but the program has strayed from this mission.

One of the TANF program's core purposes is to end dependency on government benefits by promoting work and job preparation.[30] But states spend little TANF funding on work activities designed to move people from welfare to self-sufficiency. In 2022, only $2.9 billion—nine percent of total TANF funds—was spent on work supports and work, education, and training programs designed to help move someone from welfare to work.[31] TANF and MOE line items for Pre-K and Head Start, refundable tax credits, and general program management each exceed total spending on job training, education, and other work-related activities.[32]



Source: U.S. Department of Health and Human Services

Lawmakers must reform TANF to address fraud that diverts resources away from work and the truly needy.

Some welfare lobbyists have suggested that adding more cash onto EBT cards or keeping people on the program indefinitely is the answer to the funding questions in TANF. But expanding funding would do nothing to improve outcomes.

At the start of 2022, states had more than $7.5 billion in TANF funds carried over from previous years.[33] While this certainly represents a large sum of money, surpluses in TANF provide necessary cushions during economic downturns. These balances are reflective of an economy in which jobs are plentiful and people are moving off the caseload. If every dollar is spent down from the grant every year, it ignores the real potential for a downturn in the job market that may drive some families back to assistance. These contingencies help to avoid new taxpayer funding streams, like the additional $1 billion sent to TANF in the 2021 American Rescue Plan Act.[34]

Without question, there is a fraud and misuse problem in TANF. Accounts of welfare cash going to improper uses are easy to find—both on the provider front and on the recipient side.

Unfortunately, HHS collects no information at all to monitor improper payments in TANF—unlike other major welfare programs.[35] However, the few audits conducted by the Office of Inspector General (OIG) have illustrated widespread abuse. In Michigan, for example, 40 percent of TANF cash welfare spending was flagged as improper.[36] In New York, auditors found an improper payment rate of 46 percent for TANF cash welfare payments.[37] Additionally, more than 21 percent of TANF cash welfare spending in Ohio and nearly 10 percent of TANF cash welfare payments in Minnesota were identified as improper.[38-39]

Individual cases of TANF fraud and abuse abound at the Department of Justice, everything from enrollees lying about their income to receive benefits to government employees trading $1.4 million in TANF funds for cash and sex.[40-41] Federal prosecutors have even gone after TANF directors for enrolling ineligible individuals as part of a kickback scheme and states for using TANF funds on ineligible aliens.[42-43]

“Federal prosecutors have even gone after TANF directors for enrolling ineligible individuals as part of a kickback scheme and states for using TANF funds on ineligible aliens.”

HHS also collects no meaningful data on Electronic Benefit Transfer (EBT) card trafficking, despite its growing connection to the drug trade. In Lewiston, Maine, for example, law enforcement raided a drug dealer's apartment, finding guns, $4,500 in cash, cocaine, and five EBT cards belonging to other people—what the prosecutor referred to as "a common currency for drugs."[44] Another Lewiston case involved the Maine Drug Enforcement Agency (Maine DEA) raiding a dealer after receiving a tip that he was in possession of drugs and 20 EBT cards.[45] Maine DEA identified at least 25 separate raids related to crack cocaine, heroin, fentanyl, prescription opioids, and other drugs in an 11-month window where they seized EBT cards belonging to others, typically known drug users.[46] Prosecutors in other states have found similar EBT trafficking as part of the drug trade.[47-51]

Even when not traded directly for drugs, enrollees often trade these EBT cards for cash or prohibited items.[52-53] USDA estimated that $1.3 billion in food stamp funds were trafficked annually between 2015 and 2017.[54] More than one in five small grocery stores and convenience stores accepting EBT are believed to be trafficking benefits.[55] These small stores make up nearly 56 percent of all authorized retailers in the food stamp program.[56] Given the fact that food stamp spending grew by nearly 80 percent between 2017 and 2022, actual EBT trafficking costs are likely far higher than the 2015-2017 estimate, as it is even more lucrative for criminals today.[57] While HHS unfortunately does not monitor EBT trafficking, food stamp benefits and TANF funds are loaded onto the same EBT cards and virtually all TANF enrollees also receive food stamps.[58]

States have also used TANF as a slush fund, unconnected to the goal of moving families from welfare to work. California, for example, annually redirects TANF funding to a tuition grant program for nearly 650,000 college students.[59-60] California has diverted more than $1 billion per year from federal TANF funds to these grants.[61] But eligibility for these TANF-funded grants has no real connection to furthering core TANF objectives.[62] Indeed, analysts for California's Joint Legislative Budget Committee internally refer to this scheme as a "fund swap" and "fund shift," whereby the state uses TANF funds to replace General Fund expenses.[63] Those analysts have repeatedly said that the redirected TANF funds offset "an equal amount of General Fund support" and that these fund swaps have "no programmatic impact."[64-65] To make matters worse, the state then uses these tuition grants to expand food stamp eligibility to college students who would not otherwise qualify.[66]

STATES HAVE ALSO USED TANF AS A SLUSH FUND, UNCONNECTED TO THE GOAL OF MOVING FAMILIES FROM WELFARE TO WORK.

Other states have engaged in similar patterns. Michigan, for example, spends $100 million of TANF funding on aid for college students, including millions for families earning more than $100,000 per year.[67] In 2023, HHS identified at least eight states that were spending TANF funds on college scholarship programs for adults without children.[68] These are just a few examples of states using TANF funding to replace General Fund expenses, though there are many more.[69]

There are billions spent in other questionable ways that do not get as many headlines. There is more than $2 billion in state MOE and TANF funds that go towards refundable tax credits in states like New York, New Jersey, Massachusetts, and Minnesota.[70]

States also abuse TANF to expand dependency—the exact opposite of its statutory purpose. Federal regulations have allowed states to greatly expand the definition of "needy" families to expand eligibility. HHS officials identified at least 40 states operating programs with TANF funding with eligibility levels more than twice the poverty line.[71] In some states, individuals earning as much as five times the poverty line—roughly $156,000 for a family of four—can qualify for these programs.[72]

Worse yet, states have used TANF as a way to expand other taxpayer-funded welfare programs. The food stamp program, for example, grants categorical eligibility to TANF enrollees, exempting them from the program's income and asset limits.[73] Categorical eligibility was initially designed to avoid duplication for individuals applying for food stamps who were already subject to stricter income and asset limits in TANF.[74]

States have exploited this loophole by using a small amount of TANF funding to print brochures, host a website, or operate a toll-free phone number that describes other welfare programs.[75] States then deem anyone who receives that information as someone receiving a TANF "benefit," making them categorically eligible for food stamps and bypassing federal eligibility standards.[76]

States do no eligibility verification for these fake "benefits."[77] The brochures often reference services and programs that have no financial eligibility requirements, do not meet any of the required TANF purposes, and grant categorical eligibility even when no one in the household is eligible for any of the services listed.[78] Auditors at the U.S. Department of Agriculture (USDA) warned that states were granting categorical eligibility for these "benefits" based on brochures that applicants did not even receive.[79]

This loophole alone adds more than 5.4 million ineligible enrollees to the food stamp program each year, which will cost taxpayers more than $111 billion over the next decade.[80] In most states exploiting the loophole, individuals can have unlimited countable assets—such as cash or money deposited in bank accounts that is readily available—and still enroll in the program.[81] Most enrollees with assets above the federal asset limit have more than $20,000 in countable resources, while more than 20 percent have $100,000 or more.[82] In some cases, even millionaires have enrolled in the program.[83] This is particularly egregious when the primary purpose of TANF is to "end the dependence of needy parents on government benefits."[84]

Congress should eliminate this loophole by limiting what types of TANF-funded "benefits" can confer categorical eligibility to other welfare programs. One way to do this would be to restrict these "benefits" to individuals with income and resources below the income and resource limits of whichever program is granting categorical eligibility.

Work requirements in welfare programs work.

After implementing work requirements in welfare programs, states successfully moved millions from welfare to work. A dollar earned is more valuable than a dollar of welfare.[85] Welfare cash is temporary, but earnings from a job can provide lasting benefits that compound. Moreover, welfare can be socially isolating, while holding a job promotes dignity and has a positive impact on a person's future.[86] States that implement work requirements have proven that work requirements move people into self-sufficiency.

TANF was designed around work, both for individuals and for states engaging able-bodied adults in work-related activities.[87] Since the work-centered 1996 welfare reform law was enacted, the caseload has plummeted. In 1995, nearly 13.7 million people were dependent on AFDC cash welfare.[88] By 2000, enrollment had been cut in half.[89] Today, TANF enrollment stands at 2.8 million, a drop of nearly 80 percent.[90] Just 830,000 of these enrollees are able-bodied adults—half of whom live in California.[91] Better still, single mothers leaving welfare after the 1996 reforms entered the labor force in record numbers, boosting economic growth and leading to declines in child poverty.[92-93]

> **TANF was designed around work, both for individuals and for states engaging able-bodied adults in work-related activities.**

States adopting stronger work requirements and time limits have led to more employment, higher incomes, and less dependency.[94] Able-bodied adults who left dependency found work in more than 600 different industries, touching every corner of the economy.[95] Those families saw their incomes more than double within a year of leaving welfare, with higher wages more than offsetting the welfare checks they used to receive.[96] Moving able-bodied adults from welfare to work also helped boost the local economy and preserve limited taxpayer resources for the truly needy.[97]

Work requirements in other welfare programs have also positively transformed lives.

For example:

- In **Arkansas**, after just two years of work requirements, enrollment in food stamps dropped by nearly 70 percent, incomes tripled, and taxpayers saved $28 million per year.[98]

- In early 2016, then-Governor Rick Scott implemented work requirements in **Florida**. By December 2017, enrollment in food stamps dropped by 94 percent, and people went back to work in more than 1,100 different industries.[99]

- In **Kansas**, after implementing work requirements and time limits, the number of able-bodied adults on food stamps dropped by 75 percent and wages more than doubled.[100]

- When **Maine** implemented food stamp work requirements, the incomes of former enrollees more than doubled, and able-bodied adult enrollment declined by 90 percent.[101]

- Less than three years after implementing work requirements, enrollment among able-bodied, childless adults on food stamps fell by 72 percent in **Mississippi**. People went back to work in more than 700 different industries and their incomes more than doubled within two years.[102]

- In **Missouri**, less than a year after implementing work requirements, the number of able-bodied adults without dependents on food stamps dropped by 85 percent. Within three months, these able-bodied adults saw their incomes rise by 70 percent, and eventually double—more than offsetting any loss of benefits.[103]

The 1996 welfare reform law's focus on work is desperately needed in other welfare programs today, where most able-bodied adults receiving taxpayer-funded benefits do not work at all.[104-105] Work requirements help people to move from welfare to self-sufficiency while preserving resources for the truly needy.

THE BOTTOM LINE: To promote work and protect the truly needy, Congress should rebalance TANF funding toward work-related activities and close existing loopholes.

States must be held accountable for their exploitation of loopholes like the work participation standard, worker supplements, broad-based categorical eligibility, and fund swaps which undermine program integrity. These loopholes keep needy families in a state of dependency and ultimately jeopardize resources intended for the truly needy.

TANF must be re-focused around the self-sufficiency that only work can provide. States must dedicate a much higher share of TANF funding to work-related activities. And more guardrails are necessary. The government itself cannot act with compassion. It can only redistribute funds from taxpayers. Work, however, empowers individuals and can result in a lifetime of self-sufficiency and freedom. Work is the ultimate anti-poverty program, allowing families to care for each other in ways that a welfare program cannot.

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CLASP
The Center for Law and Social Policy

Statement on the Record: Ways and Means Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind

September 23, 2024

This statement is submitted by staff from the Center for Law and Social Policy (CLASP). CLASP staff are experts on Temporary Assistance for Needy Families (TANF) policy and are committed to targeting TANF funds toward cash assistance for families with very low incomes. As summarized below, there is strong and growing evidence that monthly cash assistance improves children's health and educational outcomes. While Mississippi's abuse of TANF funds to provide favors to politically connected individuals is the most dramatic and egregious example of how states have used TANF funds for other purposes, it is unfortunately far from the only example of states allocating TANF dollars towards areas that are not aligned with the program goals or toward improving child outcomes. Congress should support policies to target TANF spending toward monthly cash assistance for families with very low incomes, and toward work supports and services that best meet the needs of parents facing financial emergencies, both by supporting the administrative actions taken by the Administration for Children and Families and by passing additional legislative guardrails.

CLASP is a national, nonpartisan, nonprofit organization whose mission is advocating for policies that advance economic and racial justice. Founded more than fifty years ago, CLASP works to develop and implement federal, state, and local policies that reduce poverty, improve the lives of people with low incomes, tear down barriers arising from systemic racism, and create pathways to economic security.

Monthly Cash Assistance Promotes Positive Outcomes for Children and Helps Families Meet Essential Basic Needs

TANF provides monthly cash assistance for families with very low incomes. This monthly cash assistance can support families at the precipice of financial crises, such as those who are victims of domestic violence, or those who are at risk of homelessness. Unlike other public benefit programs, like housing vouchers and Supplemental Nutrition Assistance Program (SNAP) food benefits, TANF benefits can be spent toward any household expense. For example, parents can spend their TANF benefit towards diapers, cleaning supplies, and transportation costs. TANF is critically important for helping parents who have very low incomes make ends meet during financial emergencies. The work activities and supports provided by TANF programs can also help parents get connected to employment, education, and training opportunities.

Research has repeatedly concluded that when families are provided with additional cash support, especially during the child's earliest stages of brain development, this has positive impacts on the child's health and education outcomes.[1] According to a report from the National Academies of Sciences, Engineering, and Medicine, when families do not have enough economic resources, this hurts children's opportunities to grow and their future outcomes as adults.[2]

Research about the temporarily expanded Child Tax Credit (CTC) during tax year 2021 also concluded similar findings. Congress temporarily expanded the CTC under the American Rescue Plan Act of 2021 by increasing the credit available to families, especially for younger children, by making the full credit available to families with little to no earnings, and by allowing families to receive the credit monthly. The expanded, monthly CTC payments allowed parents to more easily afford essentials and reduced food insecurity among families, among other positive outcomes.[3] The expanded monthly CTC payments also reduced financial stress among parents, according to CLASP-Ipsos survey research.[4]

State TANF Spending Should be Targeted Toward Cash for Families and Program Purposes

TANF is a block grant that provides states with flexibility in how to spend their TANF funds.[5] As long as state TANF expenditures align with one of the four program purposes, states can allocate their dollars toward a wide array of areas. This flexibility opens the door for states to be innovative in the TANF services being provided to parents and children with very low incomes. But unfortunately, in the decades since lawmakers created TANF, this flexibility has resulted in fewer TANF dollars being spent toward monthly cash assistance for families.[6]

In fiscal year 2022, the most recent year we have federal data available for, only 23 percent of TANF dollars went toward basic assistance for families.[7] In comparison, 71 percent of TANF dollars went

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[1] Lisa A. Gennetian and Katherine Magnuson, "Three Reasons Why Providing Cash to Families With Children Is a Sound Policy Investment," Center on Budget and Policy Priorities, May 2022, https://www.cbpp.org/research/income-security/three-reasons-why-providing-cash-to-families-with-children-is-a-sound.

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[7] Administration for Children and Families, "TANF and MOE Spending and Transfers by Activity, FY 2022: United States," updated February 2024, https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022.

toward this same area in fiscal year 1997.[8] In FY 2022, 34 states spent less than 20 percent of their total TANF funds toward basic assistance for families.[9]

In addition, fewer families have received TANF cash assistance over time, despite high levels of need.[10] And TANF monthly benefits have generally not kept up with the rising costs of living that families must afford month-to-month.[11] This is especially true in southern states and in the states where Black families represent a larger share of the state population.[12]

Some states have used the flexibility in the TANF spending rules to allocate their funds toward other expenditures that are not aligned with assisting families with very low incomes. For example, some states use TANF dollars to fund crisis pregnancy centers, or anti-abortion centers. Since 2001 states have allocated nearly $200 million in TANF funds toward crisis pregnancy centers, according to research from Equity Forward.[13] Crisis pregnancy centers exacerbate pregnancy challenges and put pregnant people in danger because medical services provided by the centers are not regulated and are not in accordance with national standards.[14] Other states have allocated TANF dollars toward child welfare investigations, which counters the program goal of allowing children to be cared for in their own home.[15] Mississippi attempted to use TANF funds to construct a volleyball court, which is not aligned with the program goals.[16] Mississippi has one of the lowest TANF benefit levels in the country, representing only about 14 percent of the federal poverty line for a family of three.[17]

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[8] Elizabeth Lower-Basch and Ashley Burnside, "TANF 101: Block Grant."
[9] Administration for Children and Families, "TANF and MOE Spending and Transfers by Activity, FY 2022: United States."
[10] Elizabeth Lower-Basch and Ashley Burnside, "TANF 101: Cash Assistance," Center for Law and Social Policy, updated July 2022, https://www.clasp.org/publications/report/brief/tanf-101-cash-assistance/.
[11] Diana Azevedo-McCaffrey and Tonanziht Aguas, "Continued Increases in TANF Benefit Levels Are Critical to Helping Families Meet Their Needs and Thrive," Center on Budget and Policy Priorities, May 2024, https://www.cbpp.org/research/income-security/continued-increases-in-tanf-benefit-levels-are-critical-to-helping.
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[17] Elizabeth Lower-Basch, "Testimony for Mississippi State Legislative Hearing on TANF," Center for Law and Social Policy, October 2022, https://www.clasp.org/publications/testimony/comments/testimony-for-mississippi-state-legislative-hearing-on-tanf/.

These examples of TANF expenditures demonstrate the need for guardrails to define what is allowable spending of TANF dollars toward program intent for states. A recently proposed rule from the Department of Health and Human Services titled "Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program"[18] is an example of what this guidance could look like. This proposed policy would provide states with flexibility in spending, while ensuring the program expenditures are reasonably meeting the program purposes and going toward families with incomes of at or below 200 percent of the federal poverty line.[19]

In addition, CLASP recommends the following policies for Congress to consider, which we believe would help target TANF funds toward families with low incomes, provide states with ample flexibility in spending their TANF funds to be innovative, while also guaranteeing that families are receiving cash support who need it, and ensuring that TANF is helping families achieve economic stability and resilience:

- Require states to spend at least 50 percent of their annual TANF dollars toward monthly cash assistance for families.
- Require states to provide monthly TANF benefits that equal at least fifty percent of the federal poverty line.
- Add reducing child poverty as one of the TANF program purposes.
- Reform the block grant allocation formula for states to ensure that states get TANF funding allocations that align with their current state child poverty rates.
- Tie the TANF block grant to inflation, so that states can receive annual TANF dollar allocations that align with the rising costs.

The following policies are included in the proposed rule from the Department of Health and Human Services and should be passed legislatively if not done administratively.

- Define a "needy family" as the family income being at or below 200 percent of the federal poverty line. This would ensure that TANF dollars are being allocated toward families with low earnings.
- Create a 'reasonable person' standard to more clearly define how state spending aligns with the four program purposes.

We appreciate the opportunity to submit a statement about this important topic, and we thank the United States House of Representatives Ways and Means Committee members for considering these issues. If you have any questions, please contact Ashley Burnside, Senior Policy Analyst with the Public Benefits Justice team at CLASP at aburnside@clasp.org.

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[18] Federal Register, "Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program," October 2, 2023, **https://www.federalregister.gov/documents/2023/10/02/2023-21169/strengthening-temporary-assistance-for-needyfamilies-tanf-as-a-safety-net-and-work-program**.
[19] Ashley Burnside, "Proposed TANF Regulations Would Target Spending on Families with Low Incomes," Center for Law and Social Policy, November 2023, **https://www.clasp.org/publications/fact-sheet/proposed-tanf-regulations-target-families-low-incomes/**.

United States Government Accountability Office

GAO

Statement for the Record to the Committee on Ways and Means, House of Representatives

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TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Preliminary Observations on State Budget Decisions, Single Audit Findings, and Fraud Risks

Statement for the record by Kathryn A. Larin, Director,
Education, Workforce, and Income Security

GAO-24-107798

GAO Highlights

Highlights of GAO-24-107798, a statement for the record to the Committee on Ways and Means, House of Representatives

September 24, 2024

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Preliminary Observations on State Budget Decisions, Single Audit Findings, and Fraud Risks

Why GAO Did This Study

Annually, the federal government provides $16.5 billion to states in TANF block grants. In addition, states collectively spend approximately $15 billion of their own funds. States have increasingly shifted spending from assistance to non-assistance services. Questions have been raised about accountability in the use of TANF funds.

The House Committee on Ways and Means requested GAO review TANF spending and related control practices. This statement is based on GAO's preliminary observations from ongoing work on these topics. This statement describes 1) trends in TANF expenditures over time; 2) the extent of unresolved TANF single audit findings; and 3) how single audit findings can relate to TANF fraud, among other topics.

To conduct the ongoing work on which this statement is based, GAO analyzed state TANF expenditure data from fiscal year 2015 through 2022 (the most current data available), TANF state single audit findings, and adjudicated court cases involving TANF fraud. GAO also reviewed relevant federal laws, regulations, and agency documents.

HHS provided technical comments, which we incorporated as appropriate.

GAO is conducting ongoing work on these and other aspects of TANF and planning to issue related reports in late 2024 and early 2025. GAO will make recommendations in these reports, as warranted.

View GAO-24-107798. For more information, contact Kathryn A. Larin at (202) 512-7215 or larink@gao.gov.

What GAO Found

Each year, states provide millions of low-income individuals and families cash payments and other supports funded by the Temporary Assistance for Needy Families (TANF) block grant. From fiscal years 2015 to 2022, spending on services such as work-related, education, and training activities—known as "non-assistance,"—increased by 7.1 percent. Over the same period spending on "assistance" including cash payments to qualifying low-income families, decreased by 8.5 percent. However, trends in individual states' use of TANF funds may differ from nationwide trends because states have significant discretion in how to use their TANF block grant funds. Nationwide, state spending in fiscal year 2022 on non-assistance ($13.8 billion) exceeded spending on assistance ($7.9 billion).

As part of TANF oversight, independent auditors conduct single audits, and states are required to take corrective action on audit findings as part of their responsibilities as TANF grant recipients. Based on a preliminary review of the most recently available state single audit reports, as of April 30, 2024, GAO identified 155 unresolved TANF findings. (See table.) Auditors reported 50 findings that were "severe," meaning they involved a material weakness, and 89 that were significant deficiencies. A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. Ninety-nine of the 155 findings have repeated for at least 1 year, meaning they were the same as, or substantially similar to, a finding in a previous audit. These single audit findings—especially those categorized as material weaknesses—are considered particularly serious, as they can indicate severe, longstanding, and uncorrected risks and issues in a federal program.

Number of Unresolved Findings in State Temporary Assistance for Needy Families Single Audit Reports, as of April 30, 2024

Report year	Number of states with findings	Number of unresolved findings
2023	35	102
2022	14	48
2021	2	5
Total	**51**	**155**

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

GAO identified TANF fraud risks—such as billing fraud—in its preliminary review of repeat single audit findings. For example, audits spanning 7 fiscal years found that a state agency did not require TANF subrecipients to include supporting documentation for reimbursement requests. GAO also identified similar fraud risks in its preliminary review of selected adjudicated court cases. For example, in 2018, a federal court found that some employees of a TANF subrecipient submitted inflated payroll expenses, including for nonexistent personnel, and inflated invoices with false mileage information. They spent the funds on real estate, resort vacations, and cosmetic surgery, among other things.

Chairman Smith, Ranking Member Neal, and Members of the Committee:

I am pleased to submit this statement on our preliminary observations from ongoing work related to the Temporary Assistance for Needy Families (TANF) block grant. Each year, TANF provides millions of low-income individuals and families with children with cash assistance and other services, called "non-assistance," to foster economic security and stability.[1] TANF non-assistance services include work-related, education, and training activities; child care; refundable tax credits; child welfare services; and pre-Kindergarten and Head Start classes.

Annually, the federal government provides about $16.5 billion to states in TANF block grants. In addition, states are required to contribute their own funds, collectively spending approximately $15 billion annually. At the federal level, the U.S. Department of Health and Human Services (HHS) oversees TANF. As we have previously reported, states have increasingly shifted spending from cash assistance to non-assistance services.[2] At the same time, questions have been raised about accountability in how states use TANF funds.

The House Committee on Ways and Means requested that we review TANF spending and related control practices. My statement is based on our preliminary observations from our ongoing work on these topics. The statement describes (1) trends in TANF expenditures on assistance and non-assistance, transfers, and unspent funds over time; (2) the timeliness of state TANF single audit report submissions to the Federal Audit Clearinghouse (FAC); (3) the extent of unresolved TANF single audit findings; (4) how single audit findings can relate to TANF fraud risks; and (5) additional ongoing GAO work on TANF.

To conduct the ongoing work on which this statement is based, we analyzed TANF expenditure data reported by states to HHS from fiscal year 2015 through fiscal year 2022 (the most current data available) to identify the ways in which states used their TANF funds.[3] We assessed

[1]TANF was established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Pub. L. No. 104-193, 110 Stat. 2105.

[2]GAO, *Temporary Assistance for Needy Families: More Accountability Needed to Reflect Breadth of Block Grant Services*, GAO-13-33 (Washington, D.C.: Dec. 6, 2012).

[3]In fiscal year 2015, HHS revised the expenditure categories and accompanying definitions used in TANF financial data collection and changed the accounting method to require states to report actual expenditure totals to offer more insight into how states spend TANF funds.

the reliability of these data by interviewing HHS officials about their processes for collecting and reporting this data and by checking for missing data or obvious errors. On the basis of our assessment, we believe that the data are sufficiently reliable for the purpose of describing trends in TANF expenditures, transfers, and unspent balances. We reviewed HHS's TANF financial expenditure reporting forms and guidance and interviewed HHS officials to determine TANF expenditure reporting categories for this analysis.

We also analyzed single audit reports from the FAC from all 50 states and the District of Columbia that were submitted up to April 30, 2024.[4] We reviewed agency documentation including HHS's *Single Audit Resolution Standard Operating Procedure*. Additionally, we identified examples of TANF fraud risks based on our preliminary review of (1) adjudicated court cases of TANF fraud from January 2015 through March 2024 and (2) single audit reports. We also reviewed relevant federal laws and regulations. HHS provided technical comments on this statement, which we incorporated, as appropriate. We are completing data collection and analysis for our ongoing work on these and other aspects of TANF. We are planning to issue related reports in late 2024 and early 2025 and will make recommendations in these reports, as warranted. The work on which this statement is based is being conducted in accordance with generally accepted government auditing standards.

Background

TANF Purposes

States are generally allowed to spend TANF funds on services rather than cash assistance as long as these services meet at least one of TANF's four purposes: (1) to provide assistance to needy families so that children may be cared for in their own homes or the homes of relatives; (2) to end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) to prevent and reduce

[4]A single audit is an audit of both the entity's financial statements and expenditures of federal awards required for states that meet or exceed a certain expenditure threshold of federal funds each year. *See* 31 U.S.C. § 7502 and 2 C.F.R. § 200.501. The Single Audit Act requires that an independent auditor performs the audits, and they are typically done either by a private firm engaged by the recipient or by a state or local government audit agency. Further, the Single Audit Act requires recipients to upload these reports to the FAC, which is an internet-based repository that stores both the single audit report and related data.

out-of-wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent families.[5]

A state must contribute its own funds—referred to as maintenance-of-effort (MOE) funds—towards TANF purposes as a condition of receiving its full federal award. The MOE requirement for each state is set at 80 percent of the state's spending on TANF's precursor programs in 1994.[6] A state's federal TANF award may be reduced if the state does not meet its MOE requirement or certain other requirements.

TANF Assistance and Non-Assistance Expenditures and Transfers

TANF expenditures generally fall into two categories: assistance and non-assistance.[7]

- **Assistance** includes cash, payments, and vouchers designed to meet a family's ongoing basic needs. Examples of expenditures include monthly cash payments to qualifying low-income families, foster care maintenance payments, and certain subsidies for adoption and guardianship.[8] Assistance expenditures also include expenditures for supportive services, such as child care, provided to families who are not employed. These supportive services are intended to help recipients of assistance participate in the workforce. Under federal statute, only families with children or families with a pregnant individual who are financially needy may receive assistance, for up to 60 months.[9] States and territories have discretion to define certain

[5]42 U.S.C. § 601. Spending intended to meet the first two purposes must be for those in financial need.

[6]To meet the MOE requirement, state expenditures must be at least 80 percent of the state's spending in the Aid to Families with Dependent Children program, Emergency Assistance program, Job Opportunities and Basic Skills Training program, and Aid to Families with Dependent Children related child care programs in fiscal year 1994. States that achieve their work participation standards for the year have a lower requirement, set at 75 percent of this historical state spending.

[7]States are generally required to ensure that TANF expenditures are reasonably calculated to accomplish one of the four purposes of TANF. 42 U.S.C. § 604(a)(1).

[8]45 C.F.R. § 260.31. See also Department of Health and Human Services. *Instructions for Completion of State TANF Financial Report Form, ACF-196*. May 2022. TANF expenditures categorized as assistance include assistance provided on behalf of a child or children for whom a child welfare agency has legal placement and care responsibility and is living with a caretaker relative; or a child or children living with legal guardians. This also includes subsidies to help the relatives or guardians pay for adoption expenses.

[9]42 U.S.C. §§ 601, 608.

eligibility requirements for assistance, including financial neediness, and to set benefit amounts.

- **Non-assistance** expenditures include those for child care for families who are employed, as well as work-related, education, and training activities for individuals and families regardless of employment status. They may also include pre-Kindergarten and Head Start; non-recurrent short-term benefits, such as emergency housing payments; child welfare services; other services for children and youth; and services for prevention of out-of-wedlock pregnancies, fatherhood, and two-parent family formation and maintenance.

In addition to assistance and non-assistance expenditures, states can use TANF funds to pay for administrative expenses incurred in providing TANF benefits and services.[10] Also, states can transfer TANF funds for use under the Child Care and Development Fund (CCDF) to provide child care subsidies for low-income families and under the Social Services Block Grant (SSBG) to provide social services to meet certain needs of individuals residing within each state.[11]

We have previously reported that expenditures for non-assistance services have fewer federal requirements than for assistance.[12] For TANF assistance funds, states are required to provide information and report on their use of TANF funds to HHS through quarterly reports on demographic and economic circumstances and work activities of families receiving assistance. However, no such requirements exist for states' non-assistance services.

When TANF funds are transferred to other programs, these programs' rules and reporting requirements apply to the funds. For example, according to HHS, TANF funds transferred under CCDF are subject to federal child care subsidy program rules, including health and safety requirements. TANF funds transferred under CCDF are also subject to reporting requirements, such as the average subsidy that a family receives and the number of children served. However, HHS has stated

[10]Certain administrative costs may not exceed 15 percent of a state's total expenditures.

[11]States may transfer up to 30 percent of their federal TANF award to CCDF and up to 10 percent of their federal TANF award to SSBG. Combined transfers to these two block grants cannot exceed 30 percent of the state's annual federal TANF grant.

[12]GAO-13-33.

that when states use TANF funds directly on child care, these requirements do not apply.[13]

Federal and State Oversight of TANF

The Office of Family Assistance, within HHS's Administration for Children and Families, oversees and administers TANF. HHS's responsibilities include reviewing state TANF plans, collecting and publishing state expenditure data, monitoring resolution of single audit findings related to TANF, and assessing the risk of TANF fraud.[14]

HHS has indicated its oversight of states' use of TANF funds is constrained by its limited statutory authority. For instance, HHS has said that it does not have the authority to obtain information to estimate or report improper payment amounts for TANF. We previously reported that HHS has not developed and reported an improper payment estimate for TANF, although agencies are required to report improper payment estimates for those programs that they have identified as risk susceptible.[15] Reliable estimates are helpful to understand and address financial vulnerabilities and the root causes of improper payments. In April 2022, we recommended that Congress consider providing HHS the authority to require states to report the data the agency needs to estimate and report on improper payments for TANF. As of September 2024, Congress has not acted on this recommendation. HHS has previously requested such authority in its budget proposals, including most recently for fiscal year 2025.

In October 2023, HHS issued a Notice of Proposed Rulemaking intended, in part, to address the misuse of TANF funds.[16] According to HHS, states are spending TANF and MOE funds on a wide range of benefits and services, including some with "tenuous connections" to a TANF purpose and, in some instances, providing supports for families with incomes up to

[13] 88 Fed. Reg. 67,697 (Oct. 2, 2023).

[14] The Social Security Act limits HHS's authority to collect TANF data from states. Generally, the agency can only collect certain financial and other data in accordance with section 411 of the act; otherwise, section 417 of the act generally prohibits the agency from collecting any additional information from states.

[15] 31 U.S.C. § 3352. The Payment Integrity Information Act of 2019 defines improper payments as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments). Pub. L. No. 116-117, § 2, 134 Stat. 113 (2020); GAO, *COVID-19: Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments,* GAO-22-105397 (Washington, D.C.: April 27, 2022).

[16] 88 Fed. Reg. 67,697 (Oct. 2, 2023).

400 percent of the federal poverty guidelines. HHS's proposed rule seeks to define what "needy" means in terms of income and to clarify when an expenditure is "reasonably calculated to accomplish a TANF purpose." These changes would also establish criteria for assessing the allowable use of funds.

In addition to federal oversight, states are expected to provide their own oversight for TANF assistance and non-assistance expenditures through their single audits. According to the Single Audit Act and the Office of Management and Budget's (OMB) implementing guidance, subpart F of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), states that meet or exceed a certain expenditure threshold of federal funds each year must undergo a single audit and submit the information to the FAC within a designated timeframe.[17] A single audit can identify deficiencies, or audit findings, in the award recipient's financial reporting and related controls, including their compliance with certain provisions of laws, regulations, contracts, or grant agreements that have a direct and material effect on each of its major federal award programs, as well as the recipient's internal controls over compliance for such programs.

OMB's guidance requires HHS, the federal awarding agency of TANF funds to, among other things, ensure that single audits are completed and reports are received in a timely manner. Reports on single audit findings can also help federal agencies, such as HHS, identify fraud risks.

[17]The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing OMB guidance is reprinted in 2 C.F.R. part 200, subpart F. In April 2024, OMB issued revisions to 2 C.F.R. § 200.501, raising the annual threshold of expenditures triggering a single audit or program-specific audit from $750,000 to $1 million, effective October 1, 2024. 89 Fed. Reg. 30,046 (Apr. 22, 2024).

According to OMB's guidance, the audit must be completed and submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or 9 months after the end of the audit period (unless a different period is specified in an audit guide for a program-specific audit). If the due date falls on a weekend, or a federal holiday, then the reporting package is due the next business day. 2 C.F.R. §§ 200.507(c)(1), 200.512(a)(1).

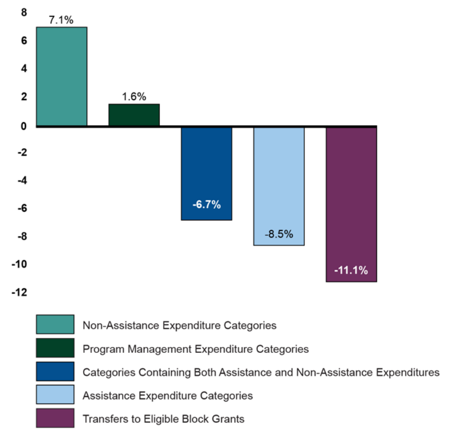
Spending on TANF Expenditure Categories, Transfers, and Unspent Funds Varied Over Time

Spending on Non-assistance Increased from Fiscal Years 2015 to 2022

Spending on non-assistance, and to a lesser extent, program management, increased from fiscal years 2015 to 2022. At the same time, spending on assistance and categories that include both assistance and non-assistance decreased, as did transfers to other grants (see fig. 1).[18]

[18]As previously noted, in fiscal year 2015 HHS revised the expenditure categories and accompanying definitions used in TANF financial data collection and changed the accounting method to require states to report actual expenditure totals to offer more insight into how states spend TANF funds. The most recent fiscal year with available data is 2022.

Figure 1: Percent Change in Temporary Assistance for Needy Families (TANF) Expenditures and Transfers by Category, Fiscal Years 2015-2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

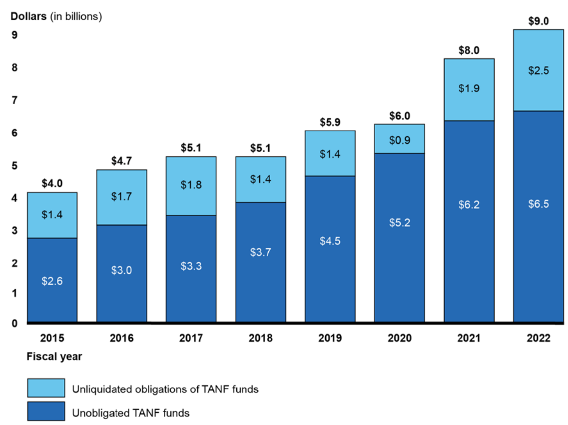
Note: Expenditures include spending from federal TANF funds and state maintenance of effort funds.

However, trends in individual states' use of TANF funds may differ from nationwide trends because states have significant discretion in how to use their TANF block grant funds. For example, from fiscal years 2015 to 2022, non-assistance spending increased in 22 states and the District of Columbia and decreased in 28 states. Over the same period, assistance spending increased in 12 states and the District of Columbia and decreased in 38 states.

TANF Unspent Balances Increased from Fiscal Years 2015 to 2022

States can carry over federal TANF funds not spent in a given fiscal year indefinitely to use in future fiscal years.[19] From fiscal years 2015 to 2022, the total TANF funding states carried over as unspent funds more than doubled, from $4 billion to $9 billion, as shown in figure 2.[20] This increase is the result of states, overall, spending less of their TANF funds during that period. In fiscal year 2022, 45 states and the District of Columbia had an unspent balance.

Figure 2: Temporary Assistance for Needy Families (TANF) Total Unspent Balances by All States, Fiscal Years 2015-2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Note: The sum of unobligated TANF funds and unliquidated obligations of TANF funds in the figure may not equal total unspent funds due to rounding

19Under HHS regulations the states use two categories to report on the status of their unspent TANF funds: (1) unobligated balances, which represent funds not yet committed for a specific expenditure by a state; and (2) unliquidated obligations, which represent funds states have committed but not yet spent.

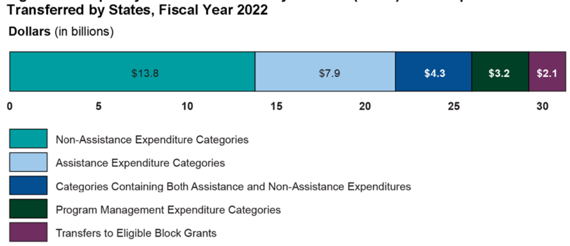
20Federal annual TANF funds do not expire, and states can carry them over indefinitely for use in future fiscal years.

Expenditures in Non-assistance Spending Categories Exceeded Those in Assistance Categories in Fiscal Year 2022

States spent or transferred $31.3 billion of federal TANF and state MOE funds in fiscal year 2022, according to our analysis of Administration for Children and Families TANF expenditure data.[21] States spent a total of $13.8 billion on non-assistance expenditures (44.2 percent of total expenditures and transfers), $7.9 billion on assistance expenditures (25.2 percent), and $4.3 billion on expenditures in categories that contain both assistance and non-assistance (13.6 percent).[22]

In fiscal year 2022, 41 states and the District of Columbia transferred funds to the CCDF, SSBG, or both, according to our analysis. In total, states transferred $2.1 billion to these block grants (6.7 percent) (see fig. 3). States also spent $3.2 billion on program management (10.4 percent).

Figure 3: Temporary Assistance for Needy Families (TANF) Funds Spent or Transferred by States, Fiscal Year 2022



Source: GAO analysis of Administration for Children and Families TANF expenditure data. | GAO-24-107798

Note: States report federal TANF and state maintenance of effort financial data on Department of Health and Human Services (HHS) Form ACF-196R. Expenditures include spending from federal TANF funds and state maintenance of effort. Eligible block grants are the Child Care and Development Fund and the Social Services Block Grant.

In our ongoing review of state TANF budget decisions, we are examining how selected states budget and allocate TANF funds. In addition, we are examining the extent to which selected states count eligible expenditures made by nongovernmental third parties toward their MOE spending requirements and their policies for these expenditures. This work will also

[21] States report expenditures to HHS by category on Form ACF-196R.

[22] Two categories used for state expenditure reporting to HHS in the Form ACF-196R—Child Care and Work Supports—contain expenditures for services that could be considered assistance or non-assistance, depending on the population served.

describe the processes selected states have in place to ensure spending on non-assistance services meets TANF's statutory purposes and ensure accuracy of reporting to HHS. Further, it will review processes the Administration for Children and Families has in place to ensure the accuracy of reporting to assist in oversight of TANF.

Nineteen States Did Not Submit Timely TANF Single Audit Reports to the Federal Audit Clearinghouse

Based on our preliminary review of fiscal year 2023 single audit reports for the 50 states and the District of Columbia, we found that 19 states did not submit their reports to the FAC by their due date (see table 1).[23] In our ongoing work, we will examine how HHS monitors the timeliness of single audit report submissions.

Table 1: Timeliness of Required Fiscal Year 2023 Temporary Assistance for Needy Families Single Audit Report Submissions to the Federal Audit Clearinghouse

State single audit reports, Fiscal Year 2023	Number of states
Submitted by due date	32
Not submitted by due date	19

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

[23]The scope of our review of single audit findings includes all 50 states and the District of Columbia. The Single Audit Act defines a "state" to also include the District of Columbia. 31 U.S.C. § 7501(19). Consistent with the act and for brevity, we will use the term "states" throughout this document to include the District of Columbia.

Single Audit Reports Indicate 155 Unresolved TANF Single Audit Findings, Most of Which Are Severe and Longstanding

Based on our preliminary review of the most recently available state single audit reports, as of April 30, 2024, we identified 155 unresolved TANF findings (see table 2).[24] An auditor's single audit TANF findings do not distinguish between program expenditure categories, including cash assistance and non-assistance expenditures.

Table 2: Number of Unresolved Findings in State Temporary Assistance for Needy Families Single Audit Reports, as of April 30, 2024

Year of single audit report	Total number of states with findings	Total number of unresolved findings
2023[a]	35	102
2022	14	48
2021	2	5
Total	**51**	**155**

Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

[a]Five states submitted their fiscal year 2023 single audit reports after their Federal Audit Clearinghouse due date but before our audit cutoff date of April 30, 2024. As a result, we included the single audit findings from these reports in our analysis.

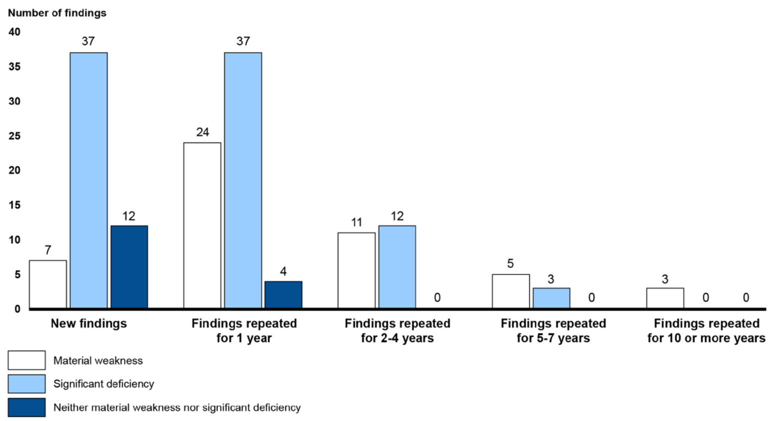
Auditors reported 50 findings that were "severe," meaning they involved a material weakness, and 89 that were significant deficiencies.[25] Ninety-nine of the 155 findings have repeated for at least 1 year (see fig. 4).[26] For example, one state has had the same internal control deficiency finding reported for 15 years. This deficiency could lead to the state making payments to ineligible applicants, for an incorrect amount, or for an incorrect length of time. These single audit findings—especially those categorized as material weaknesses—are considered particularly serious, as they can indicate severe, longstanding, and uncorrected risks and issues in a federal program.

[24]We define unresolved findings as those that have not been corrected or are partially corrected.

[25]A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

[26]A repeat finding is one that is the same as, or substantially similar to, a finding in a previous audit.

Figure 4: Unresolved Temporary Assistance for Needy Families Single Audit Findings by Years Repeated for Available Audit Reports, as of April 30, 2024



Source: GAO analysis of Federal Audit Clearinghouse data. | GAO-24-107798

Note: A material weakness is a deficiency in internal control in which there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Federal agencies are required to follow up on single audit findings to ensure that award recipients take corrective action to resolve audit findings, such as questioned costs, which may include payments the awarding agency determines to be improper.[27] We found that 31 of the

[27]As defined in the OMB guidance applicable during our audit period, a questioned cost is an expenditure that an auditor questions because of an audit finding (1) that resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds; (2) where the expenditure, at the time of the audit, is not supported by adequate documentation; or (3) where the expenditure appears unreasonable and does not reflect the actions a prudent person would take in the circumstances. Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 appendix C. 2 C.F.R. § 200.1. There are pending revisions to this definition, to be effective October 1, 2024. 89 Fed. Reg. 30,046 (Apr. 22, 2024).

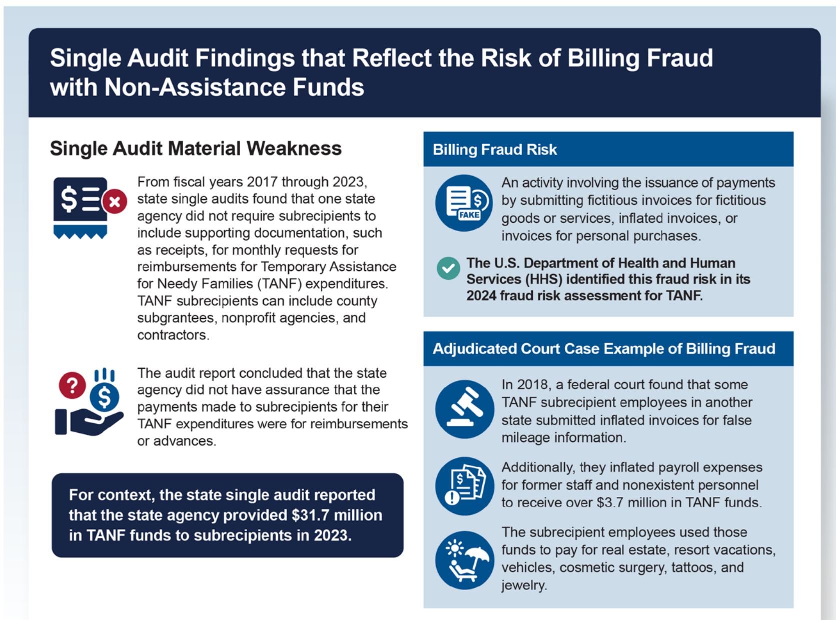
155 unresolved TANF findings involve questioned costs. The largest of these involved over $107 million and has repeated for 2 years. In our ongoing work, we will examine how HHS follows up on unresolved TANF single audit findings.

State Single Audit Findings Can Indicate Areas of TANF Fraud Risk

Since single audits are an important oversight tool for ensuring that a federal award recipient has adequate internal controls in place, findings from these audits can indicate areas of fraud risk in TANF.[28] Figures 5 and 6 present examples identified in our preliminary review of (1) repeat TANF single audit findings categorized as material weaknesses, (2) related TANF fraud risks, and (3) relevant adjudicated court cases of fraud involving TANF funds.

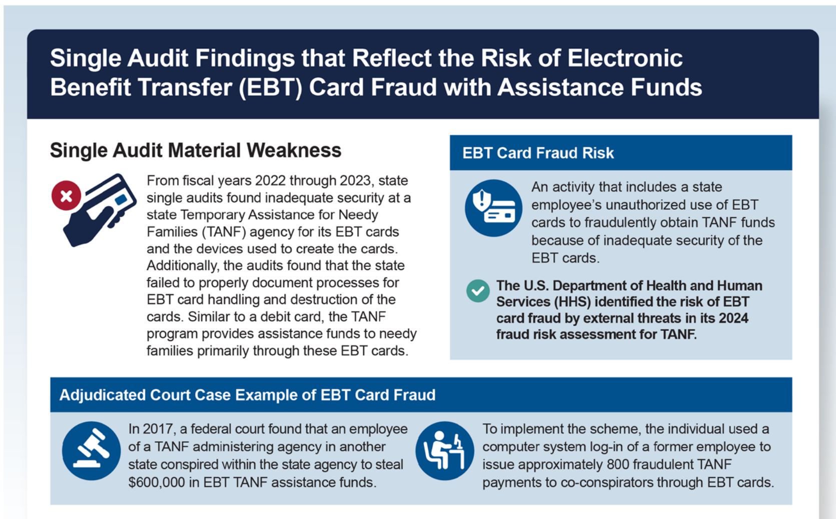
[28]Fraud and fraud risk are distinct concepts. Fraud involves obtaining a thing of value through willful misrepresentation. This is characterized by making material false statements of fact based on actual knowledge, deliberate ignorance, or reckless disregard of falsity. A fraud risk exists when individuals have an opportunity to engage in fraudulent activity. The existence of fraud risks does not necessarily indicate that fraud exists or will occur. However, fraud risks are often present when fraud does occur.

Figure 5: Example of Single Audit Findings That Reflect the Risk of Billing Fraud with Non-assistance Funds



Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

Figure 6: Example of Single Audit Findings That Reflect the Risk of Electronic Benefit Transfer (EBT) Card Fraud with Assistance Funds



Sources: GAO Antifraud Resource; GAO analysis of state single audit reports and court documentation; Icons-Studio/stock.adobe.com (icons). | GAO-24-107798

In January 2021, the Council of the Inspectors General on Integrity and Efficiency reported that grant programs—such as TANF—faced an increased risk of fraud, waste, and mismanagement because of limited visibility and control over expenditures at the award recipient and subrecipient levels.[29] Further, a number of court cases reveal opportunities to misuse or divert millions of dollars in TANF assistance and non-assistance funding.

[29]Council of the Inspectors General on Integrity and Efficiency, *The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse* (Jan. 2021). TANF subrecipients can include county subgrantees, nonprofit agencies, and contractors.

In 2015, we issued *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework) to help federal programs, like TANF, combat fraud.[30] The Fraud Risk Framework includes a comprehensive set of leading practices that serve as a guide for program managers to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner.[31] The objective of fraud risk management is to facilitate the program's mission and strategic goals by ensuring that taxpayer dollars and government services serve their intended purposes.

In our ongoing work, we will assess the extent to which HHS's efforts to manage fraud risks align with the Fraud Risk Framework. This includes, for example, reviewing HHS's first fraud risk assessment of TANF conducted in the agency's Fraud Risk Assessment Portal, which was completed in July 2024.[32] Fraud risk assessments prepared in alignment with leading practices provide program managers with insights into the likelihood and impact of fraud schemes and the basis for implementing an antifraud strategy with appropriate controls.

Ongoing Work Examines How States Use Data on Non-assistance Funds and States' Use of TANF for Child Welfare

In addition to the areas of ongoing work discussed above, we are also reviewing other aspects of TANF:

- One review examines TANF non-assistance data that selected states collect and use. Specifically, we will address how selected states use non-assistance funds, what data are available on participant characteristics and outcomes, and how selected states use such data to assess program performance. In addition, this work will examine challenges these states face in collecting and using these data and the extent to which HHS has provided support to address those

[30]GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 2015).

[31]As required under the Fraud Reduction and Data Analytics Act of 2015 and its successor provisions in the Payment Integrity Information Act of 2019, the leading practices in GAO's Fraud Risk Framework are incorporated into the Office of Management and Budget's (OMB) guidelines for agency controls. 31 U.S.C. § 3357(b). Specifically, OMB's Circular No. A-123, issued in 2016, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB M-16-17), directs executive agencies, including HHS, to adhere to the Fraud Risk Framework's leading practices as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks. OMB, *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Memorandum M-16-17 (Washington, D.C.: July 2016).

[32]According to HHS, the Fraud Risk Assessment Portal methodology was designed to support streamlined, structured, and repeatable fraud risk assessment processes that can accommodate HHS's programs and generate actionable information for managers.

challenges. To this end, we conducted site visits in eight states in which we interviewed officials from agencies that received TANF funds, such as state and local departments of health and human services, workforce, and education, as well as other entities, such as nonprofit organizations that provide services to low-income individuals and families. We are analyzing selected TANF expenditure data. We are also interviewing HHS officials about technical assistance they provide to states and the agency's efforts to facilitate information-sharing among states regarding non-assistance data.

- A second review examines how states use TANF funds as payments to foster and adoptive families and child welfare services, including transfers from TANF to the SSBG for these purposes. We will compare how states have used TANF funds to how they have used funds from Title IV-B and Title IV-E of the Social Security Act, which are the two largest sources of federal child welfare funding. To do this work, we will analyze TANF, SSBG, Title IV-B, and Title IV-E expenditure data that all states report to HHS. We will also interview TANF and child welfare agency staff in five selected states. Finally, we will interview HHS officials and researchers knowledgeable about TANF and child welfare financing.

Chairman Smith, Ranking Member Neal, and Members of the Committee, this concludes my statement for the record.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Kathryn A. Larin, Director, Education, Workforce, and Income Security, at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement are Kristen Jones (Assistant Director), Jay Palmer (Analyst in Charge), Jeff Arkin, Seto Bagdoyan, Mike Bechetti, Charlotte Cable, James Dalkin, Melanie Darnell, Andrea Dawson, Alexandra Edwards, Gabrielle Fagan, Colin Fallon, Isaac Fifelski, Lisa Fisher, Teressa Gardner, Jackson Gode, James Healy, Gina Hoover, Vivian Ly, Kim Maire, Flavio Martinez, Maria McMullen, James Murphy, Keith O'Brien, Catherine Paxton, Michelle Philpott, Will Stupski, Amy Sweet, Cherry Vasquez, Mackenzie Verniero, and Mercedes Wilson-Barthes.

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

To the Members of the Committee:

My understanding is that Brett Favre is testifying before you tomorrow about his ideas for reforming Temporary Assistance for Needy Families. I am told that, in his written testimony, he makes disparaging, false statements about me and my office.

Though I was not given a copy of his testimony or offered the chance to respond, I did want to provide some materials to explain, in part, how Mr. Favre fits into the Mississippi welfare scandal.

My office found in a 2020 audit that nearly $100 million of federal welfare funds were misspent by the Mississippi Department of Human Services. Favre Enterprises received some of that money, and Mr. Favre knew he was seeking money for people in "shelters," in his words.

He knew he was seeking "state money."

And he wanted to keep this "confidential."

Here is his 2017 text message with Nancy New, who has pleaded guilty to multiple felonies in this case:

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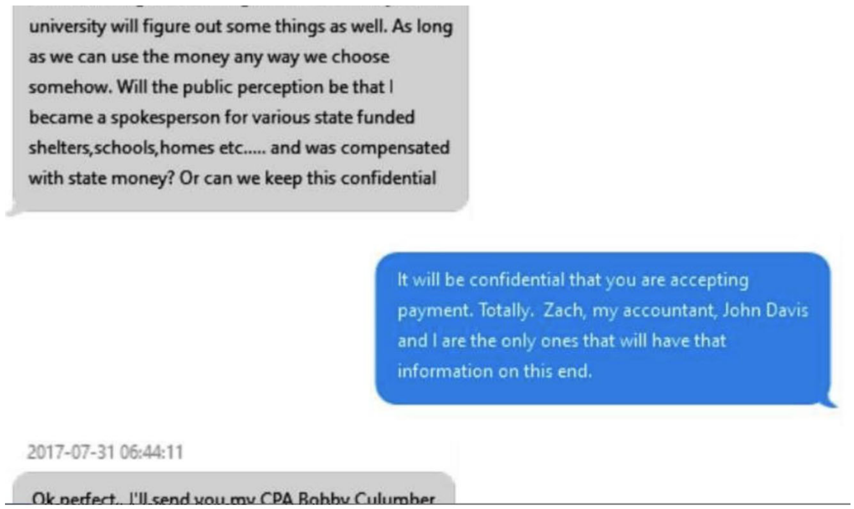
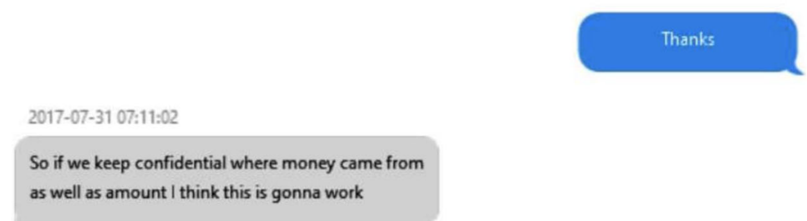


Favre repeatedly asked about keeping the transactions "confidential."



Favre also asked New, "If you were to pay me is there anyway the media can find out where it came from and how much?"

I thought you deserved to know these facts if Mr. Favre offers testimony contradicting his text messages. Moreover, I believe Mr. Favre should be asked why he wanted these transactions kept hidden.

Finally, I close by noting this case has not been easy on me or my family. Mr. Favre allegedly claims in his written statement that I am telling you about this scandal for my political benefit. I can assure you it's not convenient, socially or politically, to tell the public a hard truth about a Hall of Fame quarterback in my home state. I've received threats. Someone working for Mr. Favre came to my house to intimidate my wife. Mr. Favre's frivolous lawsuit against me has cost my family thousands of dollars.

But the information above is the truth, taken from Favre's own texts, and the truth is still important. Seven people have pleaded guilty in this case, and the public needs to know everything that happened. I would be happy to discuss this case with the Committee at any time. Thank you for your public service to our country.

Shad White
State Auditor of Mississippi

APHSA
American Public Human Services Association

October 8, 2024

The Honorable Jason Smith
Chairman
House Committee on Ways and Means
1011 Longworth HOB
Washington, DC 20515

The Honorable Darin LaHood
Chairman
Subcommittee on Work and Welfare
1424 Longworth HOB
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Committee on Ways and Means
372 Cannon HOB
Washington, DC 20515

The Honorable Daniel Davis
Ranking Member
Subcommittee on Work and Welfare
2159 Rayburn HOB
Washington, DC 20515

Dear Chairman Smith, Subcommittee Chairman LaHood, Ranking Member Neal, and Ranking Member of the Subcommittee Davis,

On behalf of the American Public Human Services Association, the bipartisan organization representing state and county human service agencies across the country and the Temporary Assistance for Needy Families (TANF) programs they administer, we are grateful for this opportunity to submit comment in response to the full committee hearing held September 24, 2024, titled, *States' Misuse of Welfare Funds Leaves Poor Families Behind*.

The hearing surfaced several key themes related to the federal TANF program. As the title indicates, much of the discussion focused on a few significant instances of unmonitored TANF non-assistance fraudulent spending as well as the Government Accountability Office's preliminary report detailing 155 unresolved TANF single state audit findings nationally in 2023. Members of the committee and witnesses also discussed at length how TANF funding should be spent, with significant emphasis on enforcing work requirements as a condition of receiving cash assistance.

As the Chairman and Ranking Member emphasized, TANF is a central component of our nation's human services sector, and the American public deserves a TANF program that fosters trust and integrity and achieves meaningful outcomes that promote family economic mobility. To accomplish this, we need a TANF program that has the necessary guardrails to ensure funds are used as intended. We also need a TANF program that is flexible in delivering cash and wrap-around supports that stabilize and equip families to overcome their unique barriers to work and provide them with the skills and experiences to grow in career directions that provide long-term, family-sustaining employment.

We are concerned that the narratives in this and recent hearings from the Committee oversimplify the issues facing the program and risk bringing TANF back into the past when we need to be forging a path for the future. We know that the Work Participation Rate is an ineffective tool to drive towards positive work outcomes and that the core and non-core activity structure added to the program in the Deficit Reduction Act of 2005 has hampered states' ability to meet work participation targets, motivating them to seek out other means to meeting these target rates through caseload reduction credit and excess maintenance of effort spending. We also know fraud, waste, and abuse are not equivalent to flexibility, APHSA

and tailored solutions must be preserved to disrupt intergenerational poverty for different people in different places in the country. Reforms that engender fidelity to effective strategies that channel the flexibility of the TANF block grant to strengthen communities and set families on paths towards family economic mobility will help the program reach its true potential.

We applaud Congress for its bipartisan actions in the Fiscal Responsibility Act of 2023 to establish nationwide work outcomes reporting measures in TANF and authorize pilots to test alternative approaches to the Work Participation Rate in engaging TANF assistance recipients and defining program performance. Efforts such as these reflect opportunities to bring TANF into the future, leveraging evidence and innovation to improve services.

We encourage the Committee to review APHSA's TANF Modernization Core Principles and Legislative Framework, which detail our membership's renewed vision for a reimagined TANF program, modeled after the work their state agencies are already doing to advance impact through TANF's current imperfect design. Enclosed in Appendix A, we expound further on three key lessons our members have learned about how to leverage the TANF program to best serve families experiencing poverty: (a) parents need stabilization support before they can work; (b) in alignment with TANF core purposes two, three, and four, supportive services beyond cash assistance are crucial for family stability, and (c) reporting and monitoring requirements should not limit state flexibilities to meet the unique needs of their local communities, which remains a pivotal aspect of the program's design.

As always, we welcome further opportunities to discuss ways to improve TANF. Please direct any follow-up to Rebekah Sides, APHSA Policy Associate at rsides@aphsa.org.

Sincerely,

Matt Lyons	Patara Horn
Senior Director, Policy & Practice APHSA	Chair, APHSA National Association of State TANF Administrators

Appendix A.

Stabilization for Long-Term Mobility and Well-Being

To achieve economic mobility, families need support in first establishing their physical, social, and emotional well-being. The Urban Institute's Upward Mobility Dashboard highlights key factors in influencing mobility including housing stability and affordability, transportation access, environmental quality, safety from trauma and crime, access to health services, neonatal health, and social capital. Without these, employment opportunities and wealth-building opportunities can feel beyond reach.

In response, human services agencies such as Oklahoma have introduced individualized assessments for TANF participants that evaluate families' economic, social, emotional, and physical well-being upon intake. Together with participants, they co-create customized plans with families receiving TANF cash assistance based on these assessments, setting mutually agreed-upon goals. Progress toward goals is regularly measured and plans are updated as needed.

In addition, the District of Columbia's TANF program is embedding this model into their two-generation, or "2Gen," approach with the goals of ensuring the enrichment, security, and safety of children, while providing meaningful engagement with caregivers. For D.C., facilitating meaningful engagement meant shifting away from time-bound policies, allowing caregivers to advance their personal well-being and the well-being of their children through personal growth and career development, education, and family goals. In 2018, they reduced the case manager-to-customer ratio, implemented performance-based contracts with training providers in high-growth industries in D.C., and introduced financial incentives for job promotion and exit from TANF. Moreover, D.C. eliminated the five-year time limit, increased TANF benefit levels, and limited sanctions to reduce scarcity, creating a foundation for families to thrive and pursue meaningful work that offers family-sustaining wages. While Oklahoma and the District of Columbia provide just two examples, TANF administrators across the nation continue to acknowledge how essential stabilization is for TANF families to succeed in the long-term. State non-assistance spending is a critical funding source that enables state agencies to provide families with these types of supports.

Non-Assistance TANF Funds Are Foundational to TANF's Purposes

TANF funds, both assistance and non-assistance, provide parents and caregivers with essential economic supports to meet basic needs, gain employment and training skills to earn family-sustaining wages, access early childhood care that fosters development during children's formative years, and receive services that prevent and mitigate childhood stress and trauma. These comprehensive economic and concrete supports funded through the TANF block grant reduce the risk of child welfare system involvement[i] and help families overcome critical barriers to work.

Agencies have found that leveraging opportunities for TANF non-assistance to stand as a connecting point to broader systems—working with public health, child welfare, substance misuse, housing, nutrition, child care, and related systems—to promote economic mobility and move services upstream before families face dire poverty or child welfare involvement. By leveraging TANF's flexibility to fill gaps, align systems, and support whole families, we can dismantle structural inequities and drive transformative change in human services.

As Congress considers TANF reform, in place of the work participation rate, core/non-core activities list, and work verification plan, consider again Oklahoma's use of individualized assessments to determine what activities might be necessary to help a family achieve their career goals. We urge Congress to require states to spend at minimum 50% of their federal TANF funding towards core activities included on families' individualized plans, ensuring that non-assistance uses of TANF are supporting the activities that families have named as steps toward their goals.

Finally, we caution the Committee from making quick assumptions related to the state expenditure data published on ACF's website. The spending categories in the state expenditure data published on ACF's website are not clearly operationalized, creating uncertainty about the true picture of state spending. Moreover, with the depreciation of the TANF block grant due to inflation, the real value has depreciated by about 40 percent in this time, which has influenced states' choices to shift TANF block grant spending allocations.[ii]

Increased Accountability is Critical, But Not at the Expense of State Flexibility

The two Work and Welfare Subcommittee hearings held in 2023 as well as this full committee hearing have surfaced various misuses of TANF funds that should be addressed; however, as we move forward, these instances should not obstruct the way forward for families and communities. Taking measures to ensure visibility and accountability in how TANF agencies use non-assistance funds and contract with critical community partners in upstream anti-poverty measures is imperative to preserving trust in the program as it stands today and in what it might become. While adding monitoring and reporting requirements of TANF spending is necessary, curtailing states' spending flexibilities in the process—especially in the absence of comprehensive, community-centered TANF reform—is counterproductive to our shared goal of customizing services to meet the unique needs of each individual, family, and community with which human service agencies work.

For example, consider the TANF program in Chesterfield-Colonial Heights, VA. This county program has developed trusting relationships with numerous employers in their community; the county's TANF work program trains skills and competencies that are in-demand from well-respected local employers, and the state agency staff facilitate warm-handoffs between the TANF work program participants and the hiring employers, bolstering the participants' likelihood of securing gainful employment. Piecemeal statutory changes to states' allowable spending flexibilities of their TANF block grants has the potential to disrupt local, community-based partnerships like these in Chesterfield-Colonial Heights and should be carefully assessed through a comprehensive, community-centered lens.

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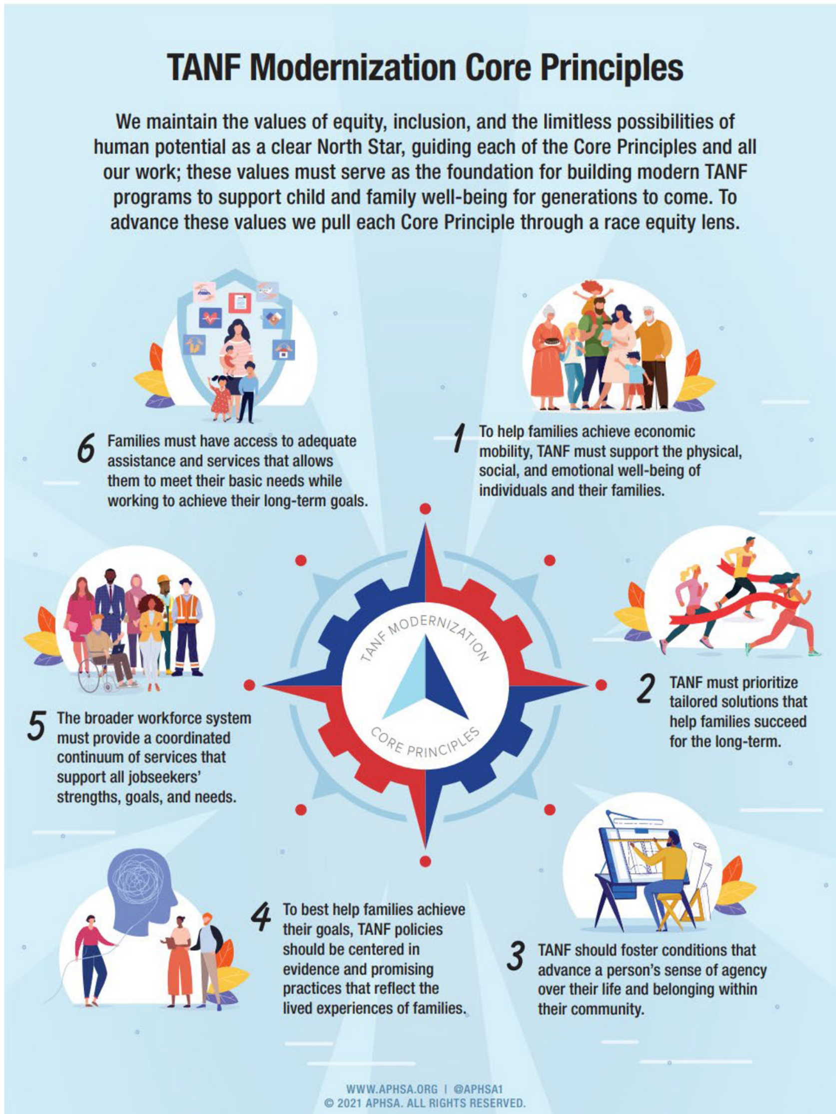
[i] Anderson, C., & Grewal-Kök, Yasmin. (July 2023). The role of TANF in economic stability and family well-being and child safety. Retrieved from https://www.chapinhall.org/wp-content/uploads/Chapin-Hall.TANF_Policy_Brief_7_6_23.pdf.
[ii] Falk, G., & Landers, P. (January 25, 2021). The temporary assistance for needy families (TANF) block grant: Responses to frequently asked questions. Congressional Research Service. Retrieved from https://fas.org/sgp/crs/misc/RL32760.pd


TANF Modernization Core Principles
We maintain the values of equity, inclusion, and the limitless possibilities of human potential as a clear North Star, guiding each of the Core Principles and all our work; these values must serve as the foundation for building modern TANF programs to support child and family well-being for generations to come. To advance these values we pull each Core Principle through a race equity lens.
1 To help families achieve economic mobility, TANF must support the physical, social, and emotional well-being of individuals and their families.
2 TANF must prioritize tailored solutions that help families succeed for the long-term.
3 TANF should foster conditions that advance a person's sense of agency over their life and belonging within their community.
4 To best help families achieve their goals, TANF policies should be centered in evidence and promising practices that reflect the lived experiences of families.
5 The broader workforce system must provide a coordinated continuum of services that support all jobseekers' strengths, goals, and needs.
6 Families must have access to adequate assistance and services that allows them to meet their basic needs while working to achieve their long-term goals.
TANF MODERNIZATION
CORE PRINCIPLES
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Southern Poverty Law Center
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Montgomery, AL 36104
splcactionfund.org

WRITTEN STATEMENT FOR THE RECORD BY

THE SOUTHERN POVERTY LAW CENTER

Submitted to the U.S. House Committee on Ways and Means

In connection with the hearing entitled:

Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leave Poor Families Behind

Hearing date: September 24, 2024

Organization Statement submitted September 27, 2024

Introduction:

On behalf of the Southern Poverty Law Center, we appreciate the opportunity to share our insight and expertise on the Temporary Assistance for Needy Families (TANF) program and the importance of ensuring federal funds support families with the greatest needs. For more than 50 years, the Southern Poverty Law Center has been a catalyst for social change in the South. Our policy, litigation, and state organizing teams work closely with partner organizations on the ground and impacted communities to challenge discriminatory actions and advance policies aimed at improving the lives of people in the South. We focus on five states in the Deep South: Alabama, Georgia, Mississippi, Louisiana, and Florida. Our core impact issues include eradicating poverty; decriminalizing and decarcerating Black and Brown people; protecting voting rights and civic engagement; and dismantling white nationalism and extremism.

As a result of systemic inequity, our Deep South states have some of the highest rates of poverty, as well as a high need for housing, health care, and nutrition support. We aim to eradicate poverty by expanding access to opportunity and eliminating racial and economic inequality in all facets of life including education, employment, and public infrastructure and supports. We believe all people deserve an adequate standard of living that includes access to food and water, healthy housing, high-quality health care, free education, safe working conditions, fair wages, and government support to meet their basic needs. Our expertise on the root causes of poverty in the South drives our work to advance the human right to housing across the Deep South with a focus on rooting out race discrimination that is entrenched at all levels of our laws and policies. One of the issues of utmost priority within the eradicating poverty portfolio is the transformation of the TANF program, especially in Mississippi.

In Mississippi, SPLC has been working in partnership with many other local policy advocates including ACLU MS, Mississippi Low-Income Childcare Initiative, the Children's Defense Fund, the Mississippi Center for Justice, the Mississippi Black Women's Roundtable, and One Voice to improve the state's administration of TANF and advance policies that support Mississippi's low-income families. Our TANF work is focused on collaborating with community stakeholders to develop and advocate for TANF reform to better meet the needs of all eligible Mississippi individuals and families. For example, in April 2023, SPLC hosted one virtual and two in-person community town hall meetings across Mississippi. When discussing their experiences regarding TANF, almost all attendees reported that they did not know anyone who received cash assistance. Despite many families having financial need, attendees and community advocates reported that most people could not access the TANF cash benefits program because they were unable to complete the application, or they could not meet the work requirements. A lack of transportation to a qualified work activity was also repeatedly cited as a barrier to participation in the program. These are just a few of the most pressing issues that Black, Brown, and low-income communities face in trying to access public benefits that can mean the difference between clothing their children and keeping the lights on.

This statement will cover background on the TANF program, specific information about Mississippi's TANF program, underlying racial justice implications of the TANF program, and potential areas of reform for the committee's consideration.

TANF program nationally

TANF is an important program for families working hard to afford basic needs, with families using TANF cash assistance to provide clothing, hygiene items, food, and shelter for their children. Without this financial lifeline, these families often will face severe hardships, including increased housing instability, mental health issues, and long-term health problems. In particular, the TANF cash assistance benefit is critical to supporting families by empowering them to decide their needs. TANF can promote long-term stability, lead to positive health and education outcomes, and prevent negative consequences associated with experiencing poverty during childhood.[1] However, the TANF program fails to help the majority of families in need, because of the many barriers and policies intentionally created to make it harder for families to get public assistance- work requirements, time limits, mandatory drug testing, and family caps- many of which are rooted in false racist stereotypes about people's unwillingness to work and instead rely on governmental assistance.[2]

Since the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which converted TANF funding to a block grant, states have nearly unlimited flexibility about how to spend these funds. As a result, states have diverted TANF funds toward programs that are allowable, but outside the intent of the program, such as child protective services investigations aimed at separating families or other vague programming around fatherhood initiatives that are not targeted toward low-income families.[3]

According to 2022 Department of Health and Human Services Administration for Children and Families data, nationally, only 23% of TANF funds go toward cash assistance; 8.1% are used for work, education, and training activities; 15.5% are used for child care; 10.4% are used for pre-k; 8% used for child welfare; 8.4% used for tax credits; 11% used on administration; and approximately 4% on other services.[4] But in our Deep South states, the percentage spent on cash assistance is significantly lower than average, with most of our states in the single digits.[5] For example, in 2022, Alabama spent about $139 million in federal and state

[1] LaDonna Pavetti, *Testimony of LaDonna Pavetti, Legislative Hearing on Opportunities for Improving TANF in Mississippi,* CENTER ON BUDGET AND POLICY PRIORITIES (Dec. 15, 2022), https://www.cbpp.org/research/income-security/legislative-hearing-on-opportunities-for-improving-tanf-in-mississippi.

[2] *See e.g.* Ife Floyde, et al., *TANF Policies Reflect Racist Legacy of Cash Assistance*, CENTER ON BUDGET AND POLICY PRIORITIES, (Aug. 4, 2021), https://www.cbpp.org/research/income-security/tanf-policies-reflect-racist-legacy-of-cash-assistance.

[3] *State Fact Sheets: How States Spend Funds Under the TANF Block Grant*, CENTER ON BUDGET AND POLICY PRIORITIES, (Aug 29, 2024), https://www.cbpp.org/research/family-income-support/state-fact-sheets-how-states-have-spent-funds-under-the-tanf-block; *Florida* TANF Spending, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_fl.pdf.

[4] *TANF and MOE Spending and Transfers by Activity, FY 2022*, THE ADMINISTRATION FOR CHILDREN AND FAMILIES, (Dec 16, 2022), https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022; *Alabama TANF Spending*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_al.pdf.

[5] *TANF and MOE Spending and Transfers by Activity, FY 2022*, THE ADMINISTRATION FOR CHILDREN AND FAMILIES, (Dec 16, 2022), https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-

funds under the TANF program, but only 9% on cash assistance.[6] Louisiana spent about $238 million in federal and state funds under the TANF program, but only 9% on cash assistance.[7] Mississippi spends $59 million in federal and state funds under the TANF program, but only 7% on cash assistance.[8]

Poverty and the TANF program in Mississippi

The state of Mississippi has one of the highest rates of overall poverty in the country (18%) and is ranked one of the worst in health outcomes.[9] In 2022, Mississippi had the highest child poverty rate in the nation (26.4%) with over 175,000 children living in poverty across the state and 20.4% of children have difficulty meeting basic food needs.[10] In many ways, Mississippi is poor by design because leaders are unwilling to support everyday people and erect barriers to keep families struggling. The Mississippi governor has repeatedly made clear his thoughts around public benefits, rejecting federal funding for Medicaid expansion and Summer EBT, programs that were proven to support and lift families out of poverty.[11]

While child poverty was soaring, less than 200 families were granted access to TANF in Mississippi. In 2017, Mississippi approved just 5 out of 824 applications for cash assistance.[12]

2022; *See Georgia TANF Spending*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ga.pdf.

[6] *TANF and MOE Spending and Transfers by Activity, FY 2022*, THE ADMINISTRATION FOR CHILDREN AND FAMILIES, (Dec 16, 2022), https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022; *Alabama TANF Spending*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_al.pdf.

[7] *TANF and MOE Spending and Transfers by Activity, FY 2022*, THE ADMINISTRATION FOR CHILDREN AND FAMILIES, (Dec 16, 2022), https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022; *Louisiana TANF Spending*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_la.pdf.

[8] *TANF and MOE Spending and Transfers by Activity, FY 2022*, THE ADMINISTRATION FOR CHILDREN AND FAMILIES, (Dec 16, 2022), https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022; *Mississippi TANF Spending*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ms.pdf.

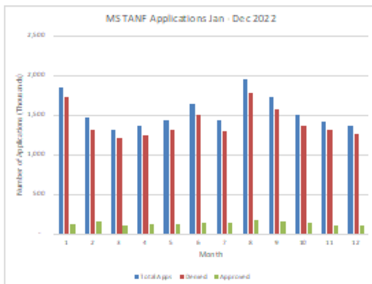
[9] Michael Goldberg, *Mississippi has the highest rate of preventable deaths in the US, health official says,* AP NEWS, (Jan. 18, 2024), https://apnews.com/article/mississipppi-health-outcomes-12464d853881ad4db68a2d47e6afcbfc; *Top 10 Poorest States in the United States*, FRIENDS COMMITTEE ON NATIONAL LEGISLATION, (Sept. 17, 2024), https://www.fcnl.org/updates/2023-11/top-10-poorest-states-us.

[10] Craig Benson, *Child Poverty Rate Still Higher Than For Older Populations But Declining*, UNITED STATES CENSUS BUREAU, (Dec. 4, 2023), https://www.census.gov/library/stories/2023/12/poverty-rate-varies-by-age-groups.html; SPLC analysis of 2022 U.S. Census population estimates collected from Kids Count Data Center, *Children in Poverty by Race and Ethnicity in Mississippi*, ANNIE E. CASEY FOUNDATION, (Sept. 2024), https://datacenter.aecf.org/data/tables/44-children-in-poverty-by-race-and-ethnicity?loc=26&loct=2#detailed/2/26/false/1095,2048,1729,37,871,870,573,869,36,868/187,11,9,12,1,185,13/324,323; *2023 State of America's Children Report, Child Hunger and Nutrition,* CHILDREN'S DEFENSE FUND, (2023), https://www.childrensdefense.org/wp-content/uploads/2023/08/SOAC-2023-Tables.pdf.

[11] Julia James, *Mississippi opts out of federal summer food program,* Reeves cites opposition to 'welfare state; expansion, MISSISSIPPI TODAY, (Jan. 11, 2024), https://mississippitoday.org/2024/01/11/federal-summer-food-program-tate-reeves/.

[12] SPLC analysis of 2022 U.S. Census population estimates collected from Kids Count Data Center, *Children in Poverty by Race and Ethnicity in Mississippi*, ANNIE E. CASEY FOUNDATION, (Sept. 2024), https://datacenter.aecf.org/data/tables/44-children-in-poverty-by-race-and-ethnicity?loc=26&loct=2#detailed/2/26/false/1095,2048,1729,37,871,870,573,869,36,868/187,11,9,12,1,185,13/324,323.

The number of TANF recipients in Mississippi declined even further during the recent COVID pandemic and embezzlement of TANF dollars in Mississippi.[13] Between January 2022 and December 2022, Mississippi received more than 18,000 TANF applications (18,500 total) with an average of 1,542 a month. Only 1,576 Mississippi TANF applications were approved (averaging 131 a month), according to 2022 TANF data provided by the Office of Family Assistance.[14] As a result, only 7% of Mississippi TANF applications were approved.[15]



Note: TANF= Temporary Assistance for Needy Families.
Source: 2022 ACF TANF Application Data. TANF applications compiled by the Southern Poverty Law Center and are current as of February 20, 2024.

According to an analysis conducted by the Center on Budget and Policy Priorities, Mississippi has one of the lowest TANF-to-poverty ratios in the nation, meaning only 4 of every 100 families living in poverty received TANF cash assistance between 2019-2020.[16] The national average is 21 out of every 100 TANF-eligible families receiving cash assistance (Louisiana is also 4 in 100 and Georgia and Alabama are just 7 in 100).[17]

Shockingly, in 2022, almost eight in every ten dollars of Mississippi TANF dollars are spent on something other than direct checks to families. Mississippi allocates only $4.3 (7.2%) million to basic assistance while providing $15 million (25%) to "fatherhood" and two-parent programs, which in Mississippi were the form of horse ranches, "leadership-training" schemes, celebrity motivational speeches and tweets.[18]

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[13] Anna Wolfe, *Report: Fewer Mississippians received cash assistance in 2020, even during a pandemic*, MISSISSIPPI TODAY, (Nov. 14, 2020, 8:00 AM CT), https://www.clarionledger.com/story/news/politics/2020/11/14/tanf-report-fewer-mississippi-residents-got-cash-assistance-2020/6286660002/.
[14] Office of Family Assistance, Administration for Children and Families, *TANF Application Data (2020 to 2023): Number of Applications (Received, Approved, Denied) by Month: 2022,* U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, (Jan. 25, 2023, updated Feb.20, 2024), https://www.acf.hhs.gov/ofa/data/tanf-application-data-2020-2029.
[15] *Id.*
[16] *TANF Cash Assistance Should Reach Many More Families in Mississippi to Lessen Hardship*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ms.pdf.
[17] *TANF Cash Assistance Should Reach Many More Families in Louisiana to Lessen Hardship*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_la.pdf.
[18] Annie Lowrey, *Mississippi Shows What's Wrong with Welfare in America*, THE ATLANTIC, (Oct. 29, 2022), https://www.theatlantic.com/ideas/archive/2022/10/mississippi-welfare-tanf-fraud/671922/.

Further, with no deadline to spend TANF dollars, Mississippi has an unobligated reserve of nearly $146 million for current and potential beneficiaries who need economic security.[19] Mississippi spent only $55 million of over $102 million available federal TANF funding allocated. From FY23 (July 1, 2021 – June 30, 2022) state audit: 48,306,233 allocated; 13,756,475 passed to MS recipients.[20] In 2021, a state audit found that more than $77 million of Mississippi TANF funding was fraudulently spent toward athletic stadiums, celebrities, and third-party subgrantees with very little transparency or accountability on spending.[21]

Furthermore, Mississippi's TANF cash assistance benefits are very limited. The gross monthly income limit for a family of three is $680, but the maximum cash benefit that a single-parent family of three can receive is only $260, the second lowest in the country. Recent research finds that Mississippi has the ninth highest cost of living nationally, which especially impacts the cost of basic items. Mississippi's high cost of living yet comparatively low wages create additional strain on families with children to afford their basic needs. The increased cost of living particularly impacts Black families, who are more likely to have a job that pays at or near the $7.25 hourly minimum wage.

The small amount of funds that go directly to families in Mississippi and the paltry number of families who are even able to receive cash assistance is in sharp contrast with how the Mississippi TANF program has been systematically funneled to benefit other private interests – with the involvement of elected officials. More than $70 million in federal TANF funds intended to help people afford the basics have been misspent or stolen by a vast network of state officials and contractors.[22] This amount constitutes nearly all of Mississippi's TANF spending in any given year. For example, money was appropriated through "fatherhood" initiatives which make up 20% of Mississippi's total TANF spending — a percentage grossly out of line with other states and four times the amount allocated to directly benefit families with children. These funds went to private contractors and even ended up in the hands of professional athletes and celebrities. Money meant to support families experiencing poverty instead has gone to horse ranches, sham leadership-training schemes, fatherhood promotion projects, motivational speeches that never happened, and volleyball courts at universities.

[19] ACF HHS, *TANF and MOE Spending and Transfers by Activity, FY 2022: Mississippi*, https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2022_tanf_moe_state_piechart_mississippi.pdf.
[20] Shade White, *State of Mississippi, Single Audit for Year Ending*, MISSISSIPPI OFFICE OF THE STATE AUDITOR, (June 30, 2022), https://www.osa.ms.gov/sites/default/files/2024-08/22sar.pdf.
[21] Anna Wolfe, *Data Dive: Mississippi not the only state turning away most welfare applicants*, MISSISSIPPI TODAY, (Oct. 5, 2022), https://mississippitoday.org/2022/10/05/mississippi-reject-most-welfare-applicants/; Anna Wolfe, *Data Dive: Mississippi's TANF Work Program expenditures 2015-2022*, MISSISSIPPI TODAY, (Oct. 17, 2022), https://mississippitoday.org/2022/10/17/mississippi-tanf-reports/; *see also SPLC Action, Mississippi Advocacy Groups Urge Public Engagement in TANF Hearing*, (Oct. 17, 2023), https://www.splcactionfund.org/press-center/mississippi-advocacy-groups-urge-public-engagement-tanf-hearing%C2%A0.
[22] *Former Executive Director of Mississippi Department of Human Services Pleads Guilty for Conspiring to Defraud the State of Mississippi*, (Sep. 22, 2022), U.S. DEPARTMENT OF JUSTICE, OFFICE OF PUBLIC AFFAIRS, https://www.justice.gov/opa/pr/former-executive-director-mississippi-department-human-services-pleads-guilty-conspiring.

Racial and gender equity issues around TANF

Inequitable access to safety net programs like TANF is rooted in false racist stereotypes about Black people's unwillingness to work and instead rely on governmental assistance.[23] This is evidenced by purposefully weakened TANF programs that cannot meet the needs of families during financial crises. From the very start of cash assistance in the U.S., programs were designed to keep Black people from accessing them and this was particularly evident in the South where states needed a steady supply of agricultural laborers. Because of this, benefit levels were kept low so as not to compete with wages of the time. It is no mistake that the states with higher rates of poverty still have the lowest TANF caseloads and some of the lowest cash assistance benefit levels.[24] The proliferation of discriminatory and harmful policies including so-called "work requirements," mandatory drug testing, and assistance time limits are rooted in narratives around who is deserving of government assistance when experiencing financial instability, particularly concerning Black parents with children.

"Work requirements" are not helping the success of these programs and are implemented in a way that disproportionately harms Black families by continuing an ugly legacy of policies dating back to slavery that is designed to coerce the labor of Black people under exploitative conditions.[25] They rely on false racist and sexist narratives around people who apply for assistance and that families need government oversight to return to work when in fact most TANF recipients work before and after receiving cash assistance. And, by focusing on connecting people in need of financial assistance to work as quickly as possible through time limits and work verification requirements, TANF recipients are often funneled into the same low-paying jobs that led them to financial crisis in the first place. Furthermore, in Mississippi, education is not considered an acceptable work activity, whereas it is permissible under Federal law, which creates another barrier for families.[26]

Drug testing requirements disproportionately impact families of color, especially Black people who are more likely to experience poverty and financial instability. Though not required by federal law, Mississippi screened 464 TANF applicants for drug use in 2017 and only recorded six positive tests.[27] The state drug testing requirement for parents seeking TANF assistance creates another needless administrative barrier to accessing cash assistance to purchase the essentials — e.g., diapers, food, shelter — during times when assistance matters the most, and costs the state unnecessary money. Studies find that the operating costs of testing

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[23] *See e.g.* Ife Floyde et al., *TANF Policies Reflect Racist Legacy of Cash Assistance*, CENTER ON BUDGET AND POLICY PRIORITIES, (Aug. 4, 2021), https://www.cbpp.org/research/income-security/tanf-policies-reflect-racist-legacy-of-cash-assistance.

[24] For example, nationally, for every 100 families experiencing poverty only 21 families receive TANF cash assistance, but in Mississippi and Louisiana, only 4 out of 100 families receive TANF cash assistance; *TANF Cash Assistance Should Reach Many More Families in Mississippi to Lessen Hardship*, CENTER ON BUDGET AND POLICY PRIORITIES, https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ms.pdf.

[25] *See e.g.* Ife Floyde et al., *TANF Policies Reflect Racist Legacy of Cash Assistance*, CENTER ON BUDGET AND POLICY PRIORITIES, (Aug. 4, 2021), https://www.cbpp.org/research/income-security/tanf-policies-reflect-racist-legacy-of-cash-assistance.

[26] *Temporary Assistance for Needy Families: Work Requirements*, CONGRESSIONAL RESEARCH SERVICES, (Mar. 27, 2018), https://crsreports.congress.gov/product/pdf/IF/IF10856.

[27] Amanda M. Gomez, *States waste hundreds of thousands on drug testing for welfare, but have little to show for it,* THE CENTER FOR LAW AND SOCIAL POLICY, (May 7, 2018), https://www.clasp.org/press-room/news-clips/states-waste-hundreds-thousands-drug-testing-welfare-have-little-show-it/

exceeds the money saved from denying people benefits because only a small share of public benefit recipients have substance use disorders.[28]

Mississippi is one of several states that places a family cap restriction on the program that denies additional cash benefits for families who have more children after their initial TANF eligibility is determined.[29] This policy stems from the desire of many states, particularly Southern states, to control the behavior of families who receive government assistance. Further, cash benefits do not incentivize families to have extra children to receive extra money, nor are TANF families extraordinarily large — these stereotypes ignore the fact that in Mississippi, the average number of children that a TANF family has in their household is two.[30] These sexist and racist caps further deprive families with children of income assistance. Especially in the wake of the Supreme Court Dobbs decision that severely limited the ability for people to seek reproductive care, these caps are harmful and prevent family autonomy and reproductive freedom.

Mississippi also has some of the strictest sanction policies in the country and people often lose TANF not because they have exhausted assistance they are eligible for or because they have moved out of poverty. For example, families can lose their benefits simply for missing an appointment with a case worker or failing to comply with child support enforcement.[31] A recent report from the Mississippi Low-income Childcare Initiative found that 69.2 percent of closed TANF cases are because of reasons other than employment or earning more than TANF allows.[32]

TANF Reforms

Congress should reform TANF and ensure that these benefits reach those with the greatest need, by removing barriers and providing more autonomy to families to help them get more financial stability. We know from our partners at the Springboard to Opportunities Magnolia's Mother's Trust program, who are working on the ground to directly support Mississippians, that providing unrestricted cash support can help families become more economically secure.[33]

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[28] Darrel Thompson, Drug Testing and Public Assistance, CLASP, (Feb. 2019), https://www.clasp.org/wp-content/uploads/2022/01/2019_drug-testing-and-public-_0.pdf

[29] Urvi Patel and Aditi Shrivastava, *Reproductive Justice and TANF: Repealing "Family Cap" Policies Promotes Economic Justice and Family Autonomy*, CENTER ON BUDGET AND POLICY PRIORITIES, (Dec. 19, 2023, 12:36 PM), https://www.cbpp.org/blog/reproductive-justice-and-tanf-repealing-family-cap-policies-promotes-economic-justice-and.

[30] HHS ACF, *Characteristics and Financial Circumstances of TANF Recipients Fiscal Year (FY) 2022*, https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2022_characteristics.pdf.

[31] *TANF is Currently Not Working for Mississippi's Poorest Families, but Here's How It Could*, MISSISSIPPI LOW-INCOME CHILD CARE INITIATIVE, (Oct. 225, 2022), https://www.mschildcare.org/mlicci-report-ms-tanf-turns-25/.

[32] *Report: Mississippi's Temporary Assistance for Needy Families (TANF) Program at 25: After a Scandal and the Failure of TANF as a Safety Net Before and During the Pandemic, Major Reforms are Needed to Turn the Tide*, MISSISSIPPI LOW-INCOME CHILD CARE INITIATIVE, (Oct. 2022), https://www.mschildcare.org/wp-content/uploads/2022/10/MS-TANF-at-25_October-2022.pdf.

[33] Dr. Aisha Nyandoro, *Written Testimony for the Record for Hearing: "Where is All the Welfare Money Going? Reclaiming TANF Non-assistance Dollars to Lift Americans Out of Poverty,"* CEO SPRINGBOARD TO OPPORTUNITIES, (July 12, 2023) https://gop-waysandmeans.house.gov/wp-content/uploads/2023/07/Nyandoro-Testimony.pdf.

Meanwhile, most of the federal accountability measures on TANF and public assistance unduly place the burden on families and not the organizations receiving the funds. According to state audits, the state agency responsible for administering anti-poverty program funding failed to maintain a record of the subgrants or how these organizations are using the TANF dollars.[34] Instead of placing unnecessary and restrictive barriers on families, Congress should focus on ensuring more accountability and transparency around the TANF program to prevent, monitor, and penalize the intentional misuse of federal funds by contractors and other sub-recipients grants.[35] While HHS has pending rulemaking that helps address some of the misuse of TANF funds, Congress needs to act to provide HHS with the authority to require more TANF reporting.[36] More should be done on the federal and state level to ensure federal TANF dollars are spent directly on and support needy families.[37]

Conclusion

TANF is a critical program for families working hard to afford basic needs. It has great potential to lift families out of poverty, but the current TANF federal block grant program as structured is designed to limit access to families and allow for little accountability from the state or federal government for how states spend this money.

The recent flagrant misappropriation of TANF funds in Mississippi, while beyond simple fund mismanagement as many actors have been criminally charged, provides important insight into some problems with the TANF program.[38] Despite Mississippi having the highest poverty rate in the country, very few financially eligible families receive TANF cash assistance or directly benefit from the federal TANF dollars.[39]

The failure to reform the TANF program has led to very few funds reaching families in need and opportunities for states to misspend TANF funds. TANF cash assistance could have helped many more families afford the basics such as rent, utilities, and hygiene products while experiencing financial crises—poverty is a policy choice. The Federal government has the power

[34] Anna Wolfe, *Report: Fewer Mississippians received cash assistance in 2022, even during a pandemic*, MISSISSIPPI TODAY, (Nov. 14, 2020, 8:00 AM CT), https://www.clarionledger.com/story/news/politics/2020/11/14/tanf-report-fewer-mississippi-residents-got-cash-assistance-2020/6286660002/.

[35] *See* H.R. 8203, *TANF State Expenditure Integrity Act of 2024*, https://www.congress.gov/bill/118th-congress/house-bill/8203

[36] HHS ACF, *NPRM to Strengthen the TANF Program and Increase State Accountability*, (Nov. 15, 2023), https://www.acf.hhs.gov/ofa/outreach-material/nprm-tanf-regulations-45-cfr-parts-205-260-261-and-263; United States Government Accountability Office, *Statement for the Record to the Committee on Ways and Means, House of Representatives: Temporary Assistance for Needy Families, Preliminary Observations on State Budget Decisions, Single Audit Findings, and Fraud Risks*, (Sep. 24, 2024), https://www.gao.gov/assets/gao-24-107798.pdf

[37] Addressing some of these issues would require an overhaul of Federal TANF and public benefits laws, such as Representative Moore's RISE Out of Poverty Act, https://www.congress.gov/bill/115th-congress/house-bill/7010.

[38] Bill Chappell, *Mississippi's Ex-Welfare Director, 5 Others Arrested Over 'Massive' Fraud,* NPR, (Feb. 6, 2021, 1:31 PM ET), https://www.npr.org/2020/02/06/803399172/mississippis-ex-welfare-director-5-others-arrested-in-massive-fraud.

[39] *Top 10 Poorest States in the United States*, FRIENDS COMMITTEE ON NATIONAL LEGISLATION, (Nov. 6, 2023); *see* Aditi Shrivastava and Gina Azito Thompson, *Policy Brief: Cash Assistance Should Reach Millions More Families to Lessen Hardship*, CENTER ON BUDGET AND POLICY PRIORITIES, Feb 18, 2022, https://www.cbpp.org/research/family-income-support/policy-brief-cash-assistance-should-reach-millions-more-families https://www.fcnl.org/updates/2023-11/top-10-poorest-states-us.

to support families in need by providing more assistance to families in need- we saw that happen during the pandemic- with the availability of emergency TANF, expanded child tax credit, continuous Medicaid enrollment, pandemic EBT, eviction moratorium- all led to a significant drop in poverty and child poverty, in particular. When we provide robust government supports to families in need and trust families to make financial decisions, they can thrive and successfully move out of poverty.

We appreciate the opportunity to submit this statement. For more information about SPLC's work supporting TANF and other social safety net programs, please contact Theresa Lau, Senior Policy Counsel, Eradicating Poverty, Theresa.Lau@splcenter.org.

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September 20, 2024

Congressman Jason Smith
Chairman of House Ways and Means Committee
1011 Longworth House Office Building
Washington, DC 20515

RE: Full Committee Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind

Dear Honorable Chairman Jason Smith and distinguished Ways and Means Committee members,

The California Welfare Fraud Investigators Association (CWFIA) wishes to congratulate the committee for openly discussing the current situation regarding the TANF program and the responsible usage of the taxpayers' monies within that social program. Since California utilizes a full 25% of TANF funds nationwide[1], CWFIA would like to give input on this current issue.

Since 1972, the CWFIA organization has been fighting for strengthened program integrity within the social programs in California. We have seen the TANF program (named CalWORKs in California) change, grow, and assist the needy within our State. Since we are fraud investigators, our daily focus is the intentional theft of TANF and SNAP monies from the social programs and we are the subject-matter experts on fraud within those programs.

On July12, 2023, your Subcommittee on Work and Welfare, held a hearing on: *'Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty.'* Witnesses testified about problems in current law that open the door for diversion of funds away from TANF's core purposes and creates an environment ripe for waste, fraud, and abuse. CWFIA would like to point out a secondary core problem that is stripping away the integrity of TANF and is victimizing the underprivileged.

Prior to 2021, TANF thefts were generally committed by the recipient's themselves in the form of falsifying or omitting information to obtain extra funds beyond what they were eligible for. Though problematic, these thefts attack government accounts and the government managers readjust and keep moving forward without negatively affecting any recipient in the TANF program. Under the guise of removing application barriers, self-attestation was (and still is) the culprit in these cases.

[1] tanf_spending_ca.pdf (cbpp.org)

Then the COVID pandemic set upon us all and the California Employment Development Department (EDD) debacle attracted multi-national criminal syndicates to establish a major foothold in America. The schooling which occurred during the EDD 32-billion-dollar crime wave primed the syndicates to target the other social service funds in our Nation. TANF was the next easy target and skimming the Electronic Benefit Transaction (EBT) card was their Achillies heel.

As we navigate towards the end of 2024, the newspapers are predicting California's theft loss will be around $120 million in TANF and SNAP benefits[2]. That number is the 'reimbursed' amount of dollars lost and is not even close to the actual loss. Upon careful research of cases that come across investigators desks, we estimate over 85% of all TANF and SNAP recipients' cases are being attacked. The recipients generally do not report their benefits stolen immediately and many will wait until the third theft before claiming victimization. The true number is not known because that data is not accurately captured by the State.

CWFIA believes a genuine and authentic discussion needs to be conducted by the Ways and Means Committee on September 25, 2024. We agree that the problems in current law that open the door for diversion of TANF funds away from TANF's core purposes need to be discussed. But, the TANF funds that are being stolen directly out of the recipient's EBT account need to be added to the conversation. The same State agencies that are unwilling to attack the pressures of a modernized criminal society with existing American technology and ingenuity are the true barrier of program integrity.

There are solutions to the TANF integrity problem if the committee will focus on what the subject matter foot soldiers are encountering. The EBT card has a 1970's technological magstripe on the back of the card that needs to be eliminated immediately. Affectively, that means approximately 42 million TANF and SNAP cards would need to be replaced with chip/tap only cards. It will also cause the merchants to reprogram or re-purchase their card reading machines. Card replacement would run 105 million dollars of cost alone, but that is LESS than the annual amount of loss SNAP and TANF within California alone!

Another solution is to place the same banking standards on the EBT card as our major credit card companies and banks utilize. This is logical and the procedure is already known. The only reason it has not happened yet is the lack of fortitude by the United States Agriculture Department – Food and Nutrition Service (USDA-FNS) to take fiscal responsibility for the loss.

Finally, we have world renown tech giants in our great Nation who have already made a fraud detection product to combat all the internal and external fraud pressures that plague the social service programs. Fraud prevention begins at the intake worker and 3rd party vendors can place a simple fraud analysis product on every State computer which will assist in stopping fraud before it begins. Nationwide, this product should be mandated to every State who receives your funding. The cost could be paid for by deducting it out of the existing administration funding within the block grant. The fraud prevented will more than make up the revenue spent on this expense.

The Ways and Means Committee is a Constitutional institution who oversees the public funding responsibility for the American people. Your committee's importance cannot be overstated nor your heavy responsibility to keep an eye on the proper operation of programs supported. CWFIA is equally committed to program integrity within TANF and SNAP. We believe that the disadvantaged citizens of our Nation deserve to be secure in the assistance promised and are anxious that the outcome of the upcoming hearing will solve their problems. The current condition of TANF is weakened by the

[2] EBT theft in California has cost taxpayers tens of millions- CalMatters

inactivity within the leadership USDA-FNS and our legislators need to act so the problems of fraud are seriously addressed.

CWFIA will always be available to the Committee and are looking forward to assist in our Nation's social service programs.

Sincerely,

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cc:

Congressman Richard Neal – Missouri – Ranking Member of House Ways and Means Committee
Congressman Dairn LaHood – Illinois – Chair of Subcommittee on Work and Welfare
Congressman Danny Davis – Illinois – Ranking Member of Subcommittee on Work and Welfare
Congressman Brad Wenstrup – Ohio – Subcommittee member on Work and Welfare
Congressman Mike Carey – Ohio – Subcommittee member on Work and Welfare
Congressman Blake Moore – Utah – Subcommittee member on Work and Welfare
Congresswoman Michelle Steel – California – Subcommittee member on Work and Welfare
Congressman Lloyd Smucker – Pennsylvania – Subcommittee member on Work and Welfare
Congressman Adrian Smith – Nebraska - Subcommittee member on Work and Welfare
Congresswoman Claudia Tenney – New York – Subcommittee member on Work and Welfare
Congresswoman Judy Chu – California – Subcommittee member on Work and Welfare
Congresswoman Gwen Moore – Wisconsin – Subcommittee member on Work and Welfare
Congressman Dwight Evans – Pennsylvania – Subcommittee member on Work and Welfare
Congressman Jimmy Gomez – California - Subcommittee member on Work and Welfare

Testimony for the Record
House Committee on Ways and Means Hearing on Misuse of TANF Funds
Matt Weidinger, Rowe Scholar, American Enterprise Institute
October 8, 2024

Chairman Smith (R-MO), Ranking Member Neal (D-MA), and members of the House Committee on Ways and Means, I appreciate the opportunity to submit testimony on the important topic of reforming the Temporary Assistance for Needy Families (TANF) program to better target families in need, connect people to work, and improve accountability. My name is Matt Weidinger, and I am a Rowe Scholar in Poverty Studies at the American Enterprise Institute. Previously I served for over two decades on the staff of the House Ways and Means Committee, including as the committee's deputy staff director and for many years as the staff director of the Work and Welfare Subcommittee with jurisdiction over the TANF program.

The committee's hearing reflected the bipartisan support for increasing transparency on the benefits and services TANF supports. Current law (section 409(a)(1) of the Social Security Act) requires the reduction of federal block grant funding equal to an amount found by audit to have been used in violation of TANF rules, and it adds a penalty equal to 5 percent of a state's annual block grant if such misspending was intentional.[1] The committee is right to review recent misspending of TANF funds, as those failures undermine public trust that TANF is achieving its important purpose of assisting needy families.

The hearing also spotlighted concern about the proper state shares of the federal block grant. I offer background on that question below, along with background on the current flawed practice of paying TANF benefits to ineligible noncitizen parents.

State Shares of the TANF Block Grant

The TANF block grant program was created in the 1996 welfare reform law as a replacement for the prior open-ended entitlement Aid to Families with Dependent Children (AFDC) program. A detailed summary of that legislation prepared by the committee immediately after the law's enactment outlined the details of fixed TANF block grant funding provided to individual states:

> Spending through the TANF block grant is capped and funded at $16.4 billion per year, slightly above fiscal year 1995 Federal expenditures for the four component programs. Each year between 1996 and 2002, the basic block grant provides each State with the amount of Federal money it received for the four constituent programs in fiscal year 1995, fiscal year 1994 (increased in some cases by higher Emergency Assistance spending in fiscal year 1995), or the average of fiscal year 1992 through fiscal year 1994, whichever is highest.[2]

TANF has continued to be regularly reauthorized since 2002 with only minor changes made to this basic funding structure, which does not include an inflation adjustment.

During the hearing, Reps. Miller (R-WV) and Van Duyne (R-TX) raised concerns about the lack of a population adjustment for state shares of the block grant. The authors of the 1996 reforms were aware of concerns that a fixed block grant might disadvantage states experiencing rapid population growth. That is why they created an additional funding stream of "supplemental grants" for 17 states with historically low benefit levels or rapid population growth.[3] Initially authorized at $800 million over fiscal years 1998–2001, Congress subsequently extended but ultimately eliminated these supplemental grants in 2011, leaving the current TANF block grant state shares essentially unchanged from their initial 1997 levels.

Table 1 provides the change in state population (one of the criteria used in initially allocating TANF supplemental grants) since 1995, the most recent baseline year of AFDC funding the authors of the 1996 reforms used in setting state shares of the block grant.[4]

Table 1. State Population Change Since 1995

State	State Population, 1995	State Population, 2023	Percentage Change
Nevada	1,525,777	3,194,176	109.3
Utah	1,976,774	3,417,734	72.9
Arizona	4,306,908	7,431,344	72.5
Idaho	1,165,000	1,964,726	68.6
Texas	18,679,706	30,503,301	63.3
Florida	14,185,403	22,610,726	59.4
Colorado	3,738,061	5,877,610	57.2
Georgia	7,188,538	11,029,227	53.4
North Carolina	7,185,403	10,835,491	50.8
South Carolina	3,699,943	5,373,555	45.2
Washington	5,431,024	7,812,880	43.9
Delaware	718,265	1,031,890	43.7
Tennessee	5,241,168	7,126,489	36.0
Oregon	3,141,421	4,233,358	34.8
Virginia	6,601,392	8,715,698	32.0
Montana	868,522	1,132,812	30.4
South Dakota	728,251	919,318	26.2
New Mexico	1,682,417	2,114,371	25.7
Minnesota	4,605,445	5,737,915	24.6
Oklahoma	3,265,547	4,053,824	24.1
California	31,493,525	38,965,193	23.7
Arkansas	2,480,121	3,067,732	23.7
District of Columbia	551,273	678,972	23.2
Maryland	5,023,650	6,180,253	23.0
New Hampshire	1,145,604	1,402,054	22.4
North Dakota	641,548	783,926	22.2
Wyoming	478,447	584,057	22.1
Alaska	601,345	733,406	22.0
Hawaii	1,180,490	1,435,138	21.6
Nebraska	1,635,142	1,978,379	21.0
Alabama	4,262,731	5,108,468	19.8
Indiana	5,791,819	6,862,199	18.5
Kentucky	3,855,248	4,526,154	17.4
New Jersey	7,965,523	9,290,841	16.6
Missouri	5,324,610	6,196,156	16.4
Massachusetts	6,062,335	7,001,399	15.5
Wisconsin	5,137,004	5,910,955	15.1
Kansas	2,586,942	2,940,546	13.7
Iowa	2,840,860	3,207,004	12.9
Maine	1,237,438	1,395,722	12.8
Vermont	582,827	647,464	11.1
Rhode Island	989,203	1,095,962	10.8
Connecticut	3,265,293	3,617,176	10.8

Mississippi	2,690,788	2,939,690	9.3
New York	18,150,928	19,571,216	7.8
Pennsylvania	12,044,780	12,961,683	7.6
Louisiana	4,327,978	4,573,749	5.7
Ohio	11,155,493	11,785,935	5.7
Illinois	11,884,935	12,549,689	5.6
Michigan	9,659,871	10,037,261	3.9
West Virginia	1,820,560	1,770,071	–2.8
US Total	262,803,276	334,914,895	27.4

Source: Federal Reserve Bank of St. Louis, Release Tables: Resident Population by State, Annual, 1995, https://fred.stlouisfed.org/release/tables?rid=118&eid=259194&od=1995-01-01; and Federal Reserve Bank of St. Louis, Release Tables: Resident Population by State, Annual, 2023, https://fred.stlouisfed.org/release/tables?rid=118&eid=259194&od=#.

As noted in Table 1, while the overall US population has increased by 27 percent, there has been tremendous variation in state population changes, ranging from a decline of 2.8 percent in West Virginia to the more than doubling of the population of Nevada. Overall, since the mid-1990s, 30 states saw their population grow by 20 percent or more, including nine states experiencing population growth of at least 50 percent.

One might easily assume that such widespread population growth would translate directly into rising demand for TANF assistance. However, the TANF program's history reveals the opposite effect—a remarkable and sustained decline in receipt of TANF assistance, even in some of the fastest-growing states. Table 2 shows the unprecedented decline in TANF caseloads by state compared with pre-reform AFDC caseloads in 1995, which averages over 85 percent across the US. In 23 states, Puerto Rico, and Guam, caseload declines have exceeded 90 percent. Of the five states with the most rapid population growth displayed in Table 1, four (Arizona, Idaho, Texas, and Utah) had TANF caseload declines over 90 percent. Even in Nevada, where the state population more than doubled, TANF caseloads fell by 63 percent.

Table 2. State AFDC/TANF Caseload Change Since 1995

State	State AFDC Caseload (FY 1995)	State TANF Caseload (FY 2023)	Percentage Change
Mississippi	144,148	2,719	–98.1
Georgia	382,634	8,818	–97.7
Texas	743,240	18,521	–97.5
Illinois	696,157	20,567	–97.0
Arkansas	63,278	2,164	–96.6
Kansas	79,515	2,790	–96.5
Michigan	597,652	23,110	–96.1
Missouri	253,909	11,154	–95.6
Puerto Rico	168,250	7,601	–95.5
Virgin Islands	4,558	206	–95.5
Louisiana	251,161	11,369	–95.5
North Carolina	313,269	16,577	–94.7
Indiana	188,961	10,348	–94.5
Arizona	190,199	10,675	–94.4
Guam	7,573	459	–93.9
Oklahoma	123,701	7,653	–93.8

Connecticut	170,568	11,684	–93.1
New Jersey	316,068	22,560	–92.9
Wyoming	14,589	1,117	–92.3
Alaska	36,856	2,967	–91.9
Idaho	23,910	2,096	–91.2
North Dakota	14,459	1,310	–90.9
West Virginia	104,748	9,913	–90.5
Utah	45,664	4,378	–90.4
South Carolina	128,935	12,918	–90.0
Iowa	100,541	10,590	–89.5
Tennessee	276,113	29,498	–89.3
Alabama	117,734	12,980	–89.0
Wisconsin	208,660	23,664	–88.7
Pennsylvania	596,288	68,353	–88.5
Florida	621,950	72,711	–88.3
Montana	33,781	3,954	–88.3
Ohio	612,019	72,459	–88.2
District of Columbia	72,881	9,129	–87.5
Kentucky	189,447	24,119	–87.3
Vermont	27,186	3,541	–87.0
Hawaii	65,606	8,641	–86.8
Rhode Island	61,318	8,241	–86.6
Nebraska	42,407	5,865	–86.2
New York	1,255,561	181,517	–85.5
Maine	59,934	9,063	–84.9
Minnesota	180,499	30,520	–83.1
New Hampshire	27,945	5,000	–82.1
New Mexico	103,743	18,692	–82.0
Virginia	183,975	36,642	–80.1
Maryland	223,258	44,856	–79.9
Colorado	108,871	29,403	–73.0
South Dakota	17,116	4,656	–72.8
Washington	286,323	79,426	–72.3
Massachusetts	273,561	82,470	–69.9
California	2,679,653	824,567	–69.2
Delaware	24,920	8,371	–66.4
Nevada	40,893	15,069	–63.2
Oregon	104,007	38,946	–62.6
US Total	13,660,192	1,986,696	–85.5

Source: US Department of Health and Human Services, Office of the Administration for Children and Families, Caseload Data 1995 (Total AFDC Recipients by Fiscal Year), December 19, 2004, https://www.acf.hhs.gov/ofa/data/caseload-data-1995-afdc-total; and US Department of Health and Human Services, Office of the Administration for Children and Families, TANF Caseload Data 2023,(TANF: Total Number of Recipients), February 21, 2024, https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2023_tanf_caseload.pdf.

Under AFDC, the sharp welfare caseload declines witnessed since 1995 would have resulted in commensurate declines in federal funding. Instead, under the TANF program, federal block grant funding has been fixed at the record federal funding highs of the mid-1990s, unaffected by the large caseload declines since then. This reflects how the fixed TANF block grant has insulated states from what otherwise would have been sharply declining federal funding under the AFDC program, given such large caseload declines.

Tables 3 and 4 display two starkly divergent ways of viewing the effect of TANF's fixed funding, given rising populations alongside sharply declining welfare caseloads, respectively. Fixed funding combined with rising populations has resulted in generally modest declines in federal funding by state per capita, as displayed in Table 3.

Table 3. Change in AFDC/TANF Funding per Capita by State Since 1995

State	State Block Grant	AFDC Funding per Capita (1995)	TANF Funding per Capita (2023)	Change in per Capita Funding	Change in per Capita Funding (%)
West Virginia	$110,176,000	$60.52	$62.24	$1.73	2.9
Michigan	$775,353,000	$80.27	$77.25	–$3.02	–3.8
Illinois	$585,057,000	$49.23	$46.62	–$2.61	–5.3
Ohio	$727,968,000	$65.26	$61.77	–$3.49	–5.4
Louisiana	$163,972,000	$37.89	$35.85	–$2.04	–5.4
Pennsylvania	$719,499,000	$59.74	$55.51	–$4.23	–7.1
New York	$2,442,931,000	$134.59	$124.82	–$9.77	–7.3
Mississippi	$86,768,000	$32.25	$29.52	–$2.73	–8.5
Connecticut	$266,788,000	$81.70	$73.76	–$7.95	–9.7
Rhode Island	$95,022,000	$96.06	$86.70	–$9.36	–9.7
Vermont	$47,353,000	$81.25	$73.14	–$8.11	–10.0
Maine	$78,121,000	$63.13	$55.97	–$7.16	–11.3
Iowa	$131,525,000	$46.30	$41.01	–$5.29	–11.4
Kansas	$101,931,000	$39.40	$34.66	–$4.74	–12.0
Wisconsin	$318,188,000	$61.94	$53.83	–$8.11	–13.1
Massachusetts	$459,371,000	$75.77	$65.61	–$10.16	–13.4
Missouri	$217,052,000	$40.76	$35.03	–$5.73	–14.1
New Jersey	$404,035,000	$50.72	$43.49	–$7.24	–14.3
Kentucky	$181,288,000	$47.02	$40.05	–$6.97	–14.8
Indiana	$206,799,000	$35.71	$30.14	–$5.57	–15.6
Alabama	$93,315,000	$21.89	$18.27	–$3.62	–16.6
Nebraska	$58,029,000	$35.49	$29.33	–$6.16	–17.4
Hawaii	$98,905,000	$83.78	$68.92	–$14.87	–17.8
Alaska	$63,609,000	$105.78	$86.73	–$19.05	–18.0
Wyoming	$21,781,000	$45.52	$37.29	–$8.23	–18.1
North Dakota	$26,400,000	$41.15	$33.68	–$7.47	–18.2
New Hampshire	$38,521,000	$33.63	$27.47	–$6.15	–18.3
Maryland	$229,098,000	$45.60	$37.07	–$8.53	–18.7
District of Columbia	$92,610,000	$167.99	$136.40	–$31.60	–18.8

Arkansas	$56,733,000	$22.88	$18.49	–$4.38	–19.2
California	$3,733,818,000	$118.56	$95.82	–$22.73	–19.2
Oklahoma	$148,014,000	$45.33	$36.51	–$8.81	–19.5
Minnesota	$267,985,000	$58.19	$46.70	–$11.48	–19.7
New Mexico	$126,103,000	$74.95	$59.64	–$15.31	–20.4
South Dakota	$21,894,000	$30.06	$23.82	–$6.25	–20.8
Montana	$45,534,000	$52.43	$40.20	–$12.23	–23.3
Virginia	$158,258,000	$23.97	$18.16	–$5.82	–24.3
Oregon	$167,925,000	$53.46	$39.67	–$13.79	–25.8
Tennessee	$191,524,000	$36.54	$26.87	–$9.67	–26.5
Delaware	$32,291,000	$44.96	$31.29	–$13.66	–30.4
Washington	$404,332,000	$74.45	$51.75	–$22.70	–30.5
South Carolina	$99,968,000	$27.02	$18.60	–$8.42	–31.2
North Carolina	$302,240,000	$42.06	$27.89	–$14.17	–33.7
Georgia	$330,742,000	$46.01	$29.99	–$16.02	–34.8
Colorado	$136,057,000	$36.40	$23.15	–$13.25	–36.4
Florida	$562,340,000	$39.64	$24.87	–$14.77	–37.3
Texas	$486,257,000	$26.03	$15.94	–$10.09	–38.8
Idaho	$31,938,000	$27.41	$16.26	–$11.16	–40.7
Arizona	$222,420,000	$51.64	$29.93	–$21.71	–42.0
Utah	$76,829,000	$38.87	$22.48	–$16.39	–42.2
Nevada	$43,977,000	$28.82	$13.77	–$15.05	–52.2
US Total	$16,488,667,000	$62.74	$49.23	–$13.51	–21.5

Source: US Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, "The 'Green Book' Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means," 1998, Table 7-40.—Annual State Family Assistance Grants through Fiscal Year 2002, https://aspe.hhs.gov/sites/default/files/private/aspe-files/210946/7bafdc.txt; Federal Reserve Bank of St. Louis, Release Tables: Resident Population by State, Annual, 1995, https://fred.stlouisfed.org/release/tables?rid=118&eid=259194&od=1995-01-01; and Federal Reserve Bank of St. Louis, Release Tables: Resident Population by State, Annual, 2023, https://fred.stlouisfed.org/release/tables?rid=118&eid=259194&od=#. State shares reflect the initial fiscal year 1997 block grant, which was based on AFDC funding in pre-reform years. As the Congressional Research Service notes, current state shares include a reduction of "0.33% to set aside funding for TANF-related research and evaluation," starting in fiscal year 2017.[5] AFDC funding per capita for 1995 reflects state TANF block grant divided by 1995 population data.

Across the US, average funding per capita has dropped by over 20 percent, driven by the wide-ranging effects of population growth across the states displayed in Table 1.

That decline is more than overcome by the effect of sharply falling welfare caseloads, as shown in Table 4. Nationally, average federal AFDC/TANF funding per recipient has grown from $1,207 in 1995 to almost $8,300 in 2023—an increase of over $7,000 (or over 580 percent) in annual federal aid per recipient of assistance. That extraordinary national average increase is somewhat restrained by California, home to over 40 percent of the national caseload and whose comparatively modest caseload decline means its federal block grant currently offers the equivalent of $4,528 per aid recipient—still more than triple the 1995 level of $1,393 in that state. At the other end of the spectrum, eleven states (Alaska, Arizona, Arkansas, Connecticut, Georgia, Illinois, Kansas, Michigan, Mississippi, North Dakota, and Texas) currently receive at least $20,000 in annual federal TANF funding per recipient, which reflects massive increases over prior per-recipient funding levels.

Table 4. Change in AFDC/TANF Funding per Recipient by State Since 1995

State	State Block Grant	AFDC Funding per Recipient (FY 1995)	TANF Funding per Recipient (FY 2023)	Change in per Recipient Funding	Change in per Recipient Funding (%)
Mississippi	$86,768,000	$601.94	$31,911.73	$31,309.80	5201.5
Georgia	$330,742,000	$864.38	$37,507.60	$36,643.22	4239.2
Texas	$486,257,000	$654.24	$26,254.36	$25,600.12	3913.0
Illinois	$585,057,000	$840.41	$28,446.39	$27,605.99	3284.8
Arkansas	$56,733,000	$896.57	$26,216.73	$25,320.16	2824.1
Kansas	$101,931,000	$1,281.91	$36,534.41	$35,252.50	2750.0
Michigan	$775,353,000	$1,297.33	$33,550.54	$32,253.21	2486.1
Missouri	$217,052,000	$854.84	$19,459.57	$18,604.72	2176.4
Louisiana	$163,972,000	$652.86	$14,422.73	$13,769.87	2109.2
North Carolina	$302,240,000	$964.79	$18,232.49	$17,267.70	1789.8
Indiana	$206,799,000	$1,094.40	$19,984.44	$18,890.04	1726.1
Arizona	$222,420,000	$1,169.41	$20,835.60	$19,666.19	1681.7
Oklahoma	$148,014,000	$1,196.55	$19,340.65	$18,144.10	1516.4
Connecticut	$266,788,000	$1,564.12	$22,833.62	$21,269.50	1359.8
New Jersey	$404,035,000	$1,278.32	$17,909.35	$16,631.04	1301.0
Wyoming	$21,781,000	$1,492.97	$19,499.55	$18,006.58	1206.1
Alaska	$63,609,000	$1,725.88	$21,438.83	$19,712.95	1142.2
Idaho	$31,938,000	$1,335.76	$15,237.60	$13,901.84	1040.7
North Dakota	$26,400,000	$1,825.85	$20,152.67	$18,326.82	1003.7
West Virginia	$110,176,000	$1,051.82	$11,114.29	$10,062.47	956.7
Utah	$76,829,000	$1,682.49	$17,548.88	$15,866.40	943.0
South Carolina	$99,968,000	$775.34	$7,738.66	$6,963.32	898.1
Iowa	$131,525,000	$1,308.17	$12,419.74	$11,111.56	849.4
Tennessee	$191,524,000	$693.64	$6,492.78	$5,799.14	836.0
Alabama	$93,315,000	$792.59	$7,189.14	$6,396.55	807.0
Wisconsin	$318,188,000	$1,524.91	$13,446.08	$11,921.17	781.8
Pennsylvania	$719,499,000	$1,206.63	$10,526.22	$9,319.59	772.4
Florida	$562,340,000	$904.16	$7,733.91	$6,829.75	755.4
Montana	$45,534,000	$1,347.92	$11,515.93	$10,168.02	754.4
Ohio	$727,968,000	$1,189.45	$10,046.62	$8,857.17	744.6
District of Columbia	$92,610,000	$1,270.70	$10,144.59	$8,873.89	698.3
Kentucky	$181,288,000	$956.93	$7,516.40	$6,559.47	685.5
Vermont	$47,353,000	$1,741.82	$13,372.78	$11,630.96	667.7
Hawaii	$98,905,000	$1,507.56	$11,446.01	$9,938.45	659.2
Rhode Island	$95,022,000	$1,549.66	$11,530.40	$9,980.74	644.1
Nebraska	$58,029,000	$1,368.38	$9,894.12	$8,525.74	623.1
New York	$2,442,931,000	$1,945.69	$13,458.41	$11,512.73	591.7
Maine	$78,121,000	$1,303.45	$8,619.77	$7,316.32	561.3

Minnesota	$267,985,000	$1,484.69	$8,780.64	$7,295.95	491.4
New Hampshire	$38,521,000	$1,378.46	$7,704.20	$6,325.74	458.9
New Mexico	$126,103,000	$1,215.53	$6,746.36	$5,530.83	455.0
Virginia	$158,258,000	$860.21	$4,319.03	$3,458.82	402.1
Maryland	$229,098,000	$1,026.16	$5,107.41	$4,081.25	397.7
Colorado	$136,057,000	$1,249.71	$4,627.32	$3,377.61	270.3
South Dakota	$21,894,000	$1,279.15	$4,702.32	$3,423.17	267.6
Washington	$404,332,000	$1,412.15	$5,090.68	$3,678.52	260.5
Massachusetts	$459,371,000	$1,679.23	$5,570.16	$3,890.93	231.7
California	$3,733,818,000	$1,393.40	$4,528.22	$3,134.82	225.0
Delaware	$32,291,000	$1,295.79	$3,857.48	$2,561.70	197.7
Nevada	$43,977,000	$1,075.42	$2,918.38	$1,842.96	171.4
Oregon	$167,925,000	$1,614.55	$4,311.74	$2,697.18	167.1
US Total	$16,488,667,000	$1,207.06	$8,299.54	$7,092.48	587.6

Source: US Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, "The 'Green Book' Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means," 1998, Table 7-40.—Annual State Family Assistance Grants through Fiscal Year 2002, https://aspe.hhs.gov/sites/default/files/private/aspe-files/210946/7bafdc.txt; US Department of Health and Human Services, Office of the Administration for Children and Families, Caseload Data 1995 (Total AFDC Recipients by Fiscal Year), December 19, 2004, https://www.acf.hhs.gov/ofa/data/caseload-data-1995-afdc-total; and US Department of Health and Human Services, Office of the Administration for Children and Families, TANF Caseload Data 2023, (TANF: Total Number of Recipients), February 21, 2024, https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2023_tanf_caseload.pdf. State shares reflect the initial fiscal year 1997 block grant, which was based on AFDC funding in pre-reform years. As the Congressional Research Service notes, current state shares include a reduction of "0.33% to set aside funding for TANF-related research and evaluation," starting in fiscal year 2017.[6] AFDC funding per recipient for FY 1995 reflects state TANF block grant divided by FY 1995 AFDC caseload.

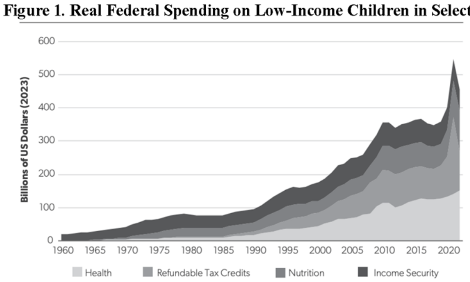
Several important caveats are in order in considering these data.

First, the analysis above considers only recipients of TANF assistance and not the unknown number who benefit from TANF non-assistance and thus are not recorded as part of the TANF caseload. The committee's hearing rightly suggests the need for far greater attention to TANF spending on and receipt of non-assistance, especially in states such as Mississippi, where the number of individuals collecting TANF assistance has fallen most sharply.

Second, inflation naturally affects the value of TANF funds, especially over time and given the elevated inflation rates seen in recent years. As a recent Department of Health and Human Services (HHS) proposed rule described, "TANF's annual funding has never been adjusted for inflation in its 27-year history and is now worth almost 50 percent less than when the program was created."[7] However, inflation across the span of the TANF program is still far less than the average increase in per-recipient funding reflected in Table 4 for all states. That reflects how the value of the TANF block grant per recipient has increased dramatically in all states in nominal, as well as real, terms. If Congress revisits the proper size of the TANF block grant and relative state shares, it should consider the significant decline in TANF caseloads and the practical effect this has had on federal resources per recipient. In the meantime, it is noteworthy that Congress continues to regularly pass bipartisan bills extending TANF's current fixed funding formulas and levels.[8]

Third, if the committee reviews TANF funding levels, it should also consider important changes in other programs benefiting low-income families with children in recent years. Major programs like food stamps, Medicaid, and the earned income tax credit have grown significantly in recent decades in both recipients and benefit spending. As Angela Rachidi and I recently summarized, even before significant and enduring increases in funding during the pandemic, "federal spending on children in select programs primarily serving low-income populations increased nearly fourfold in real terms between 1990 and 2019, with the largest increases coming from refundable tax credits and health-related spending."[9] The longer-term rise in such assistance, including pandemic-related spikes in 2020–22, is displayed in Figure 1.

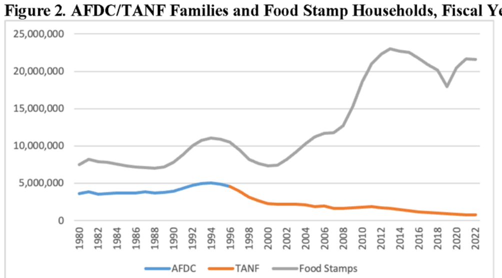
Figure 1. Real Federal Spending on Low-Income Children in Select Categories, 1960–2022



Source: Cary Lou et al., *Kids' Share 2023: Report on Federal Expenditures on Children Through 2022 and Future Projections*, Urban Institute, November 2023, 16, Table 1, https://www.urban.org/sites/default/files/2023-11/Kids%E2%80%99%20Share%202023_Report%20on%20Federal%20Expenditures%20on%20Children%20through%202022%20and%20Future%20Projections.pdf.

Figure 2 offers further context regarding the rapidly-growing Supplemental Nutrition Assistance Program (SNAP, commonly called food stamps), displaying how national food stamp caseloads (reflected on a household basis) have more than doubled since the 1990s. Simultaneous declines in TANF assistance mean the number of households collecting food stamps has gone from being twice the number on AFDC in the mid-1990s to currently being over 20 times the number collecting TANF assistance.[10]

Figure 2. AFDC/TANF Families and Food Stamp Households, Fiscal Years 1980–2022



Source: Matt Weidinger, "Welfare Dependence, Revisited," AEIdeas, April 6, 2023, https://www.aei.org/opportunity-social-mobility/welfare-dependence-revisited.

Finally, entirely new programs, most notably the child tax credit (CTC), have been created and expanded since the 1996 welfare reform law set state TANF block grant levels. The CTC program was created in 1997 and has been significantly expanded in recent years, including in temporary changes legislated for 2021 that increased CTC payments by over $100 billion in a single year and briefly paid CTC benefits even to nonworking parents, effectively reviving the prior AFDC entitlement to welfare checks.[11] Any future expansion in CTC benefits, especially one that results in the payment of cash benefits to nonworking and other very low-income parents, should impact lawmakers' decisions about TANF funds flowing to many of the same families.

Benefits for Ineligible Noncitizen Parents

While unmentioned during the hearing, as it continues to consider the misuse of TANF funds, the committee should review current federal policy permitting the payment of TANF benefits to illegal alien parents on behalf of their US citizen children. In these cases, since the parent is not considered "on" TANF, work requirements that would otherwise apply to citizen parents do not apply.

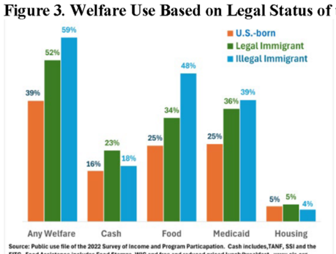
Such households fall in the category of "child only" cases, which according to the most recent HHS data constituted over 40 percent of all families collecting TANF assistance in 2023. A 2019 Mathematica report prepared for HHS indicated that 25 percent of child-only cases nationwide were headed by an "ineligible immigrant parent," including 55 percent of child-only cases in California.[12] Those figures are consistent with a 2016 Congressional Research Service (CRS) report that indicated that 11 percent of all TANF families nationwide in 2013 were child-only families headed by a noncitizen parent, up from under 4 percent in 1994. CRS added that the national caseload of noncitizen-headed families was nearly 200,000 and reflected significant shares of the caseloads in Texas (32 percent), California (22 percent), Nevada (19 percent), and New Mexico (18 percent).[13] This is despite federal policy saying since the 1800s that noncitizens, and especially illegal aliens, should not qualify for major welfare assistance and that those who become public charges, as evidenced by their receipt of public assistance, are subject to deportation.[14]

Despite that history, recent testimony by Steven Camarota of the Center for Immigration Studies (CIS) indicates that benefit receipt by illegal alien adults is widespread and extends well beyond TANF:

> The high use of welfare by illegal-immigrant-headed households is due to several factors. First and foremost, more than half of all illegal immigrant households have at least one U.S.-born child on behalf of whom they can receive benefits. Second, many states offer Medicaid directly to illegal immigrants. Third, six states also offer SNAP benefits to illegal immigrants under limited circumstances. Fourth, illegal immigrant children have the same eligibility as citizens for free and subsidized school lunch/breakfast and WIC [Special Supplemental Nutrition Program for Women, Infants, and Children] under federal law. Fifth, several million illegal immigrants have work authorization that provides a Social Security Number and EITC [earned income tax credit] eligibility along with it.[15]

Considered altogether, as displayed in Figure 3, CIS finds that welfare use of any kind is common among households headed by illegal alien parents:

Figure 3. Welfare Use Based on Legal Status of the Household Head



Source: Steven A. Camarota, "The Border Crisis: The Cost of Chaos," testimony before the US House Oversight and Accountability Committee, Subcommittee on National Security, the Border, and Foreign Affairs, September 25, 2024, https://cis.org/Testimony/Border-Crisis-Cost-Chaos.

The proposed revival of the temporary 2021 CTC expansion would make this dynamic worse by once again providing expanded CTC payments to illegal immigrant adults.[16] A CIS review estimated the 2021 expansion would result in illegal immigrants receiving $8.2 billion annually in expanded CTC payments.[17] Those annual payments to households headed by an illegal immigrant are greater than the $7 billion the TANF program distributes each year in welfare checks to all recipients, native-born and otherwise.[18]

As the above review suggests, receipt of welfare assistance by illegal alien adults extends well beyond TANF. Addressing it should be part of a broader review of immigration policy as well as of noncitizen eligibility for all federal benefits, including food stamps, Medicaid, and more. As the committee's September 24 hearing suggested, lawmakers should be concerned about how states misuse TANF funds—but also attentive to how federal law permits such misuse as well. Both gaps merit review as efforts to address TANF misspending are considered.

Thank you for the opportunity to testify.

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[12] Kristen Joyce, "TANF Child-Only Cases: Characteristics, Needs, Services, and Service Delivery Challenges," Administration for Children and Families, Office of Family Assistance, September 2019, https://peerta.acf.hhs.gov/sites/default/files/public/uploaded_files/TANF_Child-Only-Brief-091919-508.pdf.
[13] Congressional Research Service, *The Temporary Assistance for Needy Families (TANF) Block Grant: Size and Characteristics of the Cash Assistance Caseload,* January 29, 2016, https://www.everycrsreport.com/files/20160129_R43187_a49fef17ac62c71dd96ddc6ab9db7835dad8bff8.pdf.
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[15] Steven A. Camarota, "The Border Crisis: The Cost of Chaos," testimony before the US House Oversight and Accountability Committee, Subcommittee on National Security, the Border, and Foreign Affairs, September 25, 2024, https://cis.org/Testimony/Border-Crisis-Cost-Chaos.
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[18] Congressional Research Service, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions.*

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September 20, 2024
<Sent via electronic mail>

The Honorable Jason Smith
Chairman, House Committee on Ways and Means
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c/o WMSubmission@mail.house.gov

RE: September 24th TANF Reform and Misuse of Funds Hearing

Dear Chairman Smith and Members of the Committee,

On behalf of the United Council on Welfare Fraud (UCOWF), I am writing to express our support for the upcoming hearing on fraud and needed reform in the Temporary Assistance for Needy Families (TANF) program. As the only national non-profit organization dedicated to combating fraud, waste, and abuse within social service programs, UCOWF has been at the forefront of this mission for over 50 years.

THE NEED FOR REFORM: PREVENTING FRAUD AT THE SOURCE

Fraud, waste, and abuse within TANF is not a new issue. However, as demonstrated by recent high-profile cases, both States and fraudsters are actively exploiting longstanding issues and program inadequacies that require immediate action by Congress and the Administration for Children and Families (ACF).

However, the methods used by bad actors are becoming increasingly sophisticated, highlighting the need for stronger fraud prevention and program integrity mechanisms. Current policies, such as reliance on self-attestation for key eligibility factors, insufficient identity verifications, and lax oversight on State administrative flexibilities has created significant exploits and vulnerabilities that demand better program oversight, accountability, and stewardship. Or in football terms, it's past time to get back to the basics of blocking and tackling. The current "Pay and Chase" playbook is not working.

Identity Verifications and Knowing Your Customer

One of the foundational flaws is the inadequate identity verification protocols for TANF recipients. States often rely on self-attestation without requiring basic Fraud Framework policies, guidance, and independent verifications, which make it easier for bad actors to exploit the system. This has also helped drive the unacceptable theft of recipient benefits loaded on EBT cards through account takeovers and falsified information. These issues impacting other programs under Committee oversight, such as SNAP, SSI, and Unemployment Insurance require common-sense reform.

Solution: Mandate the use of identity verification tools using best-industry practices, such as multi-factor authentications and compliance with NIST identity standards already successfully used in other federal programs and the private sector.

UNITED COUNCIL ON WELFARE FRAUD

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Eligibility Verifications and Asset Checks
The TANF program also lacks rigorous eligibility checks, particularly with the loopholes found in Broad-Based Categorical Eligibility (BBCE). Current protocols left up to States often permit self-attestation of income, liquid assets (resources such as money in the bank), residency, and household composition without requiring corroboration from third-party sources. Further, the antiquated Public Assistance Reporting System (PARIS) maintained by ACF has been down since the last national quarterly match in February.

This opens the door to widespread waste and fraud which States disregard, and applicants can misrepresent their financial circumstances in what is supposed to be a "means-tested" program without fear of getting caught until after benefits are already disbursed (if ever). Our membership sees the daily impacts of over-reliance on applicant self-certifying and use of outdated and flawed federal databases that amounts to nothing more than "checking a box" to an uninformed public.
Solution: Mandate all eligibility verifications, consistent with President Biden's Zero-Trust Initiative. We support a "Trust but Verify" effort. The only way to fight bad actors using stolen personal identification information (PII), are good guys utilizing better data.

Theft of Recipient Funds
The theft of eligible recipient intended funds placed on EBT cards demands immediate action. To date, nothing has been done to prevent this – only Congress' well-intentioned approval to replace stolen benefits in SNAP and TANF. Yet the problem continues, and the issue goes beyond "EBT skimming" and placing chips on cards. UCOWF addressed these issues in an August 30, 2024, letter to Speaker Johnson.
Solution: Mandate fraud prevention in any appropriations continuing resolution.

CONCLUSION: Strengthening TANF Integrity
Fraud within TANF not only undermines public trust, but also deprives the most vulnerable families of the assistance they need. Decisive action and reform measures are needed to improve oversight and accountability to the proper stewardship of taxpayer funded programs. The issues we have identified here cross government programs. We encourage the Committee to review similar program integrity shortfalls in our recommendations for the current Farm Bill. The document may be viewed on our website.

We respectfully ask that the Committee consider these points and address these issues in the upcoming House Ways and Means hearing on September 24, 2024.

Please let me know if UCOWF can be of further assistance to you as you rein in fraud, waste, and abuse in government assistance programs.

Sincerely,

Ashley Wilkes

Ashley Wilkes, President
United Council on Welfare Fraud
www.ucowf.net

Comments for the Record
United States House of Representatives
Committee on Ways and Means
Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind
September 24, 2024 at 10:15 AM.

By Michael G. Bindner
The Center for Fiscal Equity

Chairman Smith and Ranking Member Neal, thank you for the opportunity to submit these comments for the record to the full committee. They were originally provided to the Work and Welfare Subcommittee in July of 2023 on "Where is all the Welfare Money Going? Reclaiming TANF Non-Assistance Dollars to Lift Americans Out of Poverty." They are still current.

TANF should be abolished. It is designed to train poor people with limited literacy and skills to do dirty, lower wage work in hospitality or medical assistance. It is one stage below computer systems training at community college through what was once the H-1B technical skills training program (which I staffed in the Department of Labor, although at the time, we also trained medical assistants).

Almost thirty years into the program, its main success is pruning the welfare rolls because of the penalties it put in place for non-compliance. Suc non-compliance is easy to fall into for those who are less than fully literate.

The focus of human services spending, which is best provided through the private, charitable or cooperative economy, is to keep people in training or transition them to disability in however much time it takes to do so. There should be no weeding out of the non-compliant.

When I graduated from Loras College and began graduate studies at the American University, the Washington Area Consortium of Universities held a conference on poverty. **Every speaker in every topic area cited education as the key avenue to upward mobility.**

For those who are homeless or families in bad housing, the first goal should be decent housing at public expense, although such situations should be supervised to make sure that program beneficiaries know how to run their own households. Program housing should be available until participants are able to find a job or long term educational placement which either pays enough to attain or offers through a longer term educational setting.

Food Stamps should also be abolished and replaced with a child tax credit that provides income which is adequate to feed, clothe and house an additional child, which can be up to $1000 per month. The current amount, which is set to expire in 2025, is $2000 per year. It will revert to $1000 per year, or less, because it is non-refundable. During the pandemic, it was $3,000 per year, or $3,600 for younger children. The President's Budget proposes this amount be restored and made permanent. It is not adequate, but it's a start.

The President's Budget also includes funding the first two years of education at community college. The same level of funding should be provided to students in technical training after grade ten and should be available to students at both public and accredited private schools, including religious schools. In *Espinoza v. Montana*, prohibitions on funding private schools (Blaine Amendments) were found to be unconstitutional. New (and existing) funding should reflect that fact.

Local public, charitable (including religious) and private social welfare and educational providers should provide both case management and housing, as stated above.

Participants should be paid a stipend of at least the minimum wage (which also needs to be increased to $11 per hour with a 30 hour week. For those unable to work or study, that amount should be paid to fund temporary disability. Again, SNAP would be discontinued. Participants in drug court with unmet literacy needs and the disabled in need of either psychiatric rehabilitation services or occupational therapy would be paid to attend education and rehabilitation activities.

In 2021, the House proposed increasing the minimum wage to $15 per hour as part of reconciliation. Until the Senate Parliamentarian ruled that this was out of order and the votes did not exist to overrule her, the Republican Minority counter-offered a $10 per hour. An $11 wage makes up for cutting hours from 40 a week to 32. For training program participants, 30 hours per week is more than enough.

A main problem with current training regimes is that potential students have opportunity costs that are not covered by training. TANF is simply too narrowly tailored and directs too many people to low wage work, especially in the dirtiest jobs in the medical field. The woke among us do not have to look hard for the intrinsic sexism and racism in this scheme.

Providing minimum wage pay to attend school will assure that, when the wage is increased, those without skills will not be priced out of the economy - as some fear when opposing raising the wage. One reason to raise the minimum wage is precisely so no one lives only on their child tax credit proceeds. There are some in both parties who believe that the child tax credit should have a work requirement. I agree if that work includes being paid to go to school.

Paid training must be provided to those whom the education system and the former culture of dependency has failed. The caricature of the welfare cheat was never reality, however those who were and are trapped in poverty usually have educational deficits, as well as a history of family incarceration due to the war on drugs and its disproportionate penalties for Black and Hispanic men.

English as a Second Language should not only be free, but workers should be paid to attend, irrespective of immigration status. Part-time workers should also be eligible for this benefit.

Payments for tuition, stipends and family support would be funded by employer-paid subtraction value added taxes. Ideally, both state and federal subtraction VAT will be enacted. A federal VAT would be levied to assure that a minimum amount of funding is available should states underfund their programs, which some will.

Our attachment on Consumption Taxes provides information on how this tax would work. These proposals are what the Fair Tax would look like if it was designed to work effectively and provide family benefits without making the Social Security Administration and state government the paymaster for delivering prebates. The proposed (Credit) Invoice VAT replaces the current deduction for sales taxes paid with full crediting of the same amount (and then adding the federal portion).

Tax reform undertaken during this process would end tax filing for most families (and certainly all poor ones). The more generous child tax credit and higher minimum wage (including for training) allows for the abolition of the EITC.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment - Consumption (Fair) Taxes, September 12, 2024

Subtraction Value-Added Tax (S-VAT). Corporate income taxes and collection of business and farm income taxes will be replaced by this tax, which is an employer paid Net Business Receipts Tax. S-VAT is a vehicle for tax benefits, including

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long term care.
- Employer paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.
- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S-VAT will not be border adjustable.

Higher tiers of the subtraction VAT would collect taxes on salaries with a 6.5% rate on income over $85,000, with increments of that amount to a top rate of 26% starting at $340,000 in salaried income. Salary surtaxes, with an option to purchase tax prepayment bonds, would start at $425,000 at 6.5% to a top rate of 26% starting at $680,000. Employers could also be given the option to buy tax prepayment bonds - which could be marketable.

Taxation of dividends will be included in surtaxes to the Subtraction VAT for payments over $85,000 in taxes plus dividends in a given year, however individual filing for wage. dividend and interest income under $425,000 will not be required. Again, the capital gains tax will be abolished.

Credit Invoice Value-Added Tax (CI-VAT). Border adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S-VAT, then they would be funded by the I-VAT to take advantage of border adjustability.

CI-VAT forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. As part of enactment, gross wages will be reduced to take into account the shift to S-VAT and CI-VAT, however net income will be increased by the same percentage as the CI-VAT. Inherited assets will be taxed under A-VAT when sold. Any inherited cash, or funds borrowed against the value of shares, will face the CI-VAT when sold or the A-VAT if invested.

Contact Sheet

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Committee on Ways and Means
Hearing on Reforming Temporary Assistance for Needy Families (TANF): States' Misuse of Welfare Funds Leaves Poor Families Behind
September 24, 2024 at 10:15 AM.

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